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ABSTRACT

This report is a primer on the multifaceted issues that state legislators are likely to confront under the rubric of human resource development. Chapter 1 proposes a philosophy: enabling every citizen to become a productive member of the 21st century economy is in a state's best interest both socially and fiscally. Chapter 2 focuses on the premium that the modern global market places on quality. It describes efforts in five states that are encouraging the development of continuous learning systems in firms and industries that promote constant improvement in the quality of goods and services. Chapter 3 emphasizes the need for state legislatures to incorporate basic public education from K-12 into the framework of comprehensive human resource development programs. Seven elements of education reform are discussed. Chapter 4 describes strengths and weaknesses of first-, second-, and third-wave state economic development strategies and suggests how states can use one or a combination in various ways and at different times. Chapter 5 discusses the federal role: the Job Training Partnership Act and welfare and training programs that have become closely associated with it. Chapter 6 describes the comprehensive education and training systems that Germany and Japan have implemented to help them become leading economic powers. Chapter 7 Discusses the importance of coordination, communication, and integration in a client-centered approach. (Contains 45 references.) (YLB)

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RACING WITH THE WORLD: HOW STATES CAN BUILD A 21ST CENTURY WORKFORCE

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 National Conference of State Legislatures

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RACING WITH THE WORLD:

How States Can Build a 21st Century Workforce

BY SCOTT A. LIDDELL
EMPLOYMENT AND TRAINING PROJECT

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- To improve the quality and effectiveness of state legislatures,
- To foster interstate communication and cooperation,
- To ensure states a strong cohesive voice in the federal system.

The Conference operates from offices in Denver, Colorado and Washington, D.C.

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PREFACE AND ACKNOWLEDGMENTS

Racing With the World: How States Can Build a 21st Century Workforce is a product of the Employment and Training Project of the National Conference of State Legislatures. The project's primary mission is to provide state legislatures with information and technical assistance on workforce development.

This report began as an update of the NCSL legislator's guide *Job Training*, a 1986 publication that dealt primarily with JTPA. As work on the project progressed, however, the focus shifted. States were becoming quite familiar with JTPA so it became less necessary to discuss that program in detail. At the same time, America's workforce was being influenced to a greater extent by competition with countries around the world. Thus, a different approach was needed that reflected a broader view of how states can prepare their workforce for the modern global economy.

Racing with the World, then, is a primer on the multifaceted issues that state legislators are likely to confront today under the rubric of "human resource development." The report offers legislators and legislative staff an introduction to topics relating to employment, training, education, and economic development; explains the value of an integrated system to states and their legislatures; and provides references for further information and details.

As is evident from the broad range of topics discussed in this booklet, many people were involved in its production. Chapters were reviewed and comments provided by Idaho Representative Judi Danielson; Rod Riffel, former director of the NCSL Employment and Training Project; and Mary DeGonia, president of Capitol Perspectives of Washington, D.C. Dan Pilcher, director of the NCSL Economic Development Program, contributed detailed background regarding the state development programs discussed in chapter 2. Jerry Sohns, director of the Foundation for State Legislatures, supplied comments that helped clarify charts and definitions. Karen Johnson of the NCSL Employment and Training Project helped with background research. Marion McDonald edited the book, and Karen Fisher, NCSL book editor, reviewed completed chapters and made suggestions that led to a more focused publication. The author thanks them for their assistance.

Special thanks are due to David Shreve, director of the NCSL Employment and Training Project, who helped edit early chapter drafts, made content suggestions, and aided in the selection of charts and graphs.

EXECUTIVE SUMMARY

Success in today's global economy can be boiled down to two equations: high skills=high wages; human resource development=high skills. We know about skills and wages, but what is meant by human resource development? This term is shorthand for the education, training, and employment policies used by businesses, states, and nations to improve the learning and productive abilities and capabilities of their citizens.

American states are racing with the world, and with each other, to develop high-skill workforces that will lead to high standards of living now and in the future. State legislators play a pivotal role in this development process. They conduct analysis, fund agencies and programs that deliver education and training, and oversee the administration of these efforts. The breakneck pace of global competition means their work is never done. They must constantly reevaluate the activities they authorize by asking questions such as these:

- How well does the public school system teach students in the vital primary and secondary years? Education is the critical component in building the strong foundation of a skilled workforce.
- What second-chance programs are available for those not well-served by existing education and training efforts? States cannot afford to write off the productive potential inherent in the disadvantaged portion of the population.
- Does the state aid in developing new state-based firms and training workers to staff them, or is it involved in the increasingly expensive struggle to attract business moving from elsewhere? Bidding wars are expensive propositions for states, with no guarantee of long-term success.
- Are businesses implementing or operating the type of quality systems that allow employees to work smarter instead of harder? Brainpower, not brawn, is the key to high-wage employment. Firms will always be able to find lower-cost labor beyond U.S. borders. America's competitive hopes hinge on being known as a supplier of highly skilled, versatile labor.
- Has the state fully tapped its share of the billions of dollars in available federal training assistance, and are those funds used to complement state efforts? Federal programs like the Job Training Partnership Act can perform a useful function in bringing together the suppliers of training and their clients as well as helping different employment and training agencies work more closely.
- Are training and education programs reaching the 50 percent of young people who enter the workplace with little or no postsecondary schooling and no skills preparation? Dropouts and high school graduates who don't attend college tend to spend years drifting from one low-paying job to another before finally landing on the lower rungs of their career ladders. To eliminate this unproductive pattern, closer connections must be developed between lessons learned in school and their application in the workplace.
- Do programs that address employment and training needs work together to avoid wasteful duplication of resources, processes, and bureaucracies? In an age of scarce funding, states must get the maximum result for the money they spend. To reach large numbers of students and workers, employment and training services must be restructured to emphasize results over process, and clients must be put at the center of the delivery picture.

How legislators answer these questions will largely determine their states' success in generating high-skill employment that will pay high wages and lead to economic health. Though it flies in the face of past American practice as well as entrenched bureaucracy, continuous and comprehensive education and training for students of all ages, workers (whether on the job or laid off), welfare recipients, and disadvantaged youth and adults will greatly strengthen states as they attempt to compete in today's global marketplace.

An accurate assessment of human resource development policy will be possible only if state legislators are prepared to transcend the boundaries that have traditionally separated education, labor, economic development, and social service policy. In order to craft a blueprint for improving their constituents' skills and abilities, legislators need to see the whole picture, get involved early and often, and be prepared to use their fiscal and oversight powers to keep the state's development train on track toward the high-skill, high-wage station.

The New Global Economy Is Everyone's Business

Today's global economy is enormously complex and tightly interconnected. It is virtually impossible for any state to chart an economic course independent of developments in other countries, much less those in its fellow states. Firms and employees in this country now have to compete with counterparts from around the world. Workers must develop and refine skills that in some cases didn't even exist a few years ago in order to keep up with a rapidly changing world. Maintaining the standard of living Americans have become accustomed to will require a broad-based approach to the whole range of economic, education, and labor issues contained under the heading of human resource development.

FULL PARTICIPATION IN THE MODERN ECONOMY

State prosperity in our rapidly changing world will depend to a great degree on how well policymakers, businesspeople, and the public embrace and act on a strategy of inclusion. Currently, there is an implicit understanding, made evident by unemployment rates, that a certain percentage of the American population can be excluded from the workplace. This exclusion applies particularly to young people, minorities, and the disadvantaged. Such a policy, expensive in terms of lost productivity, welfare, and incarceration, is also unjustified in a world where business as usual no longer works. Advancing technology and global competition have shipped many American jobs overseas, never to return, and have depressed wages for many workers who remain. To maintain their traditional standard of living in this new economy, Americans must build their skills and abilities in areas very different from what they are used to.

ISSUES FOR THE NINETIES . . . AND BEYOND

Early bulwarks of the American economy like mining and farming have declined as job producers for many decades. Fresher in the memory of many adult Americans is the great industrial economy that grew at an explosive rate in the years following World War II. Though manufacturing remains a vital part of the overall economy, the past 30 years have witnessed a gradual shift in employment toward what is referred to as the service sector—fast food, entertainment, legal advice, health care, government—in short, things we pay others to do for us. Some 70 percent of American employees work in service positions today, compared with just under 20 percent in manufacturing. This shift has severely cut back on the availability of low-skilled, assembly-line-based employment and has placed a premium on flexibly skilled employees who can “think on their feet.”

Quality defines the new economy. Business and investment will flow to those states and firms that cultivate a high-skill workforce capable of meeting changing consumer needs quickly and accurately. A strategy to

THE IDEAL: A MORE HUMAN SYSTEM

BRUCE SMITH, 18 years old and fresh out of high school, has just been hired as a service technician with the largest auto dealership in town. Though it is his first day on the job, he is already familiar with the complete range of tasks and procedures required of his position because of the youth apprenticeship he served with the dealership throughout his high school years. His supervisors, fully aware of Bruce's work skills and habits from three years of close observation, leaped at the chance to bring him aboard full time upon his graduation.

SUSAN WALKER, an unemployed single mother of two, visits her state public assistance office for help in finding a job. Susan presents the caseworker with a data card containing a summary of her education and employment experience and is given a skills assessment. The caseworker analyzes the results on the spot and examines her statewide computer listing for job openings that meet Susan's abilities. If no match can be found, Susan is eligible for state-funded training from a certified provider, income assistance, and day care.

DAVID ROSEN, 45, learned the glove factory that employed him was due to close soon. He was frightened by the prospect of someone with his limited skills competing with 200 fellow workers in a small market. By week's end, however, a state rapid response team had arrived to counsel employees in developing clear objectives for seeking reemployment. The state counselors provided a list of alternative occupations and training programs, including many offered by other states. In addition, David was assured the state would invest up to \$6,000 to train him in skills necessary to change occupations. Based on results from tests administered by the response team, he learned it would take him less than six months at a nearby community college to retrain as a more marketable production mechanic.

Names are not the only thing hypothetical about these three cases. The systematic training and assistance services describe and illustrate a philosophy, not yet fully realized anywhere in the United States, that enabling every citizen to become a productive member of the 21st century economy is in a state's best interest both socially and fiscally.

develop a high-skill workforce includes:

- primary and secondary education to build a solid base for further development
- training for those who do not attend college; training and retraining for those already in the workplace
- economic development efforts that encourage high-performance organizations that reward high skills
- improved coordination of the myriad training and employment programs that already exist in all 50 states.

The role of schools in building flexibly skilled individuals is the vital link connecting primary and secondary education and a comprehensive human resource development strategy. State and local governments have always provided the lion's share of support for American education. Their history of close involvement with the schools means state legislatures will play an essential part in the design and implementation of plans to link lessons learned in school to their application in the workplace. Recent years have seen the emergence of school reform measures designed to better prepare students for the workplaces of the future.

Policymakers need broad vision: initiatives that affect children from kindergarten to 12th grade are essential and forward-thinking, but do little to assist the majority of the next century's workforce that is already on the job and beyond the reach of primary and secondary education. State legislatures appropriate and monitor the use of state education, employment, and training funds, along with substantial federal monies, giving them important leverage in determining the design and extent of all phases of American human resource development.

Fundamental change is overdue because America underutilizes the abilities of the 50 percent of secondary students who do not go on to college (and the large portion of this group that will not graduate from high school). The disappearance of well-paid, limited-skill employment makes this policy hard to defend. It compares poorly with systems in industrial nations like Germany and Japan that allow students to move smoothly from high school to the job market without the lengthy, meandering career searches so common in this country. How states respond to the challenge of the "forgotten half" will determine, to a large degree, their economic success in coming decades.

States once sought to boost their fortunes

through economic incentives paid to attract and retain large industrial firms. The cost of "smoke-stack chasing" has escalated, however, along with the attendant financial risk to states. Newer programs seek longer-term results by developing the abilities of resident workers and encouraging state-based businesses and markets. In recent years, state efforts to enhance education and workplace efficiency have received the kind of attention investors once reserved for low taxes and wages, no-interest loans, and natural resource advantages.

In times of tough finances, states cannot afford to overlook the billions of dollars in training and employment assistance available from the federal government. Federal funds are usually categorical, meaning they are aimed at specific population groups like welfare recipients, laid-off and unemployed workers, minorities, and disadvantaged youth. Familiarity with these programs can provide a better perspective of state employment and training efforts, since many states have built their delivery administrations around federally funded structures like the Private Industry Councils of the Job Training Partnership Act and offices of the Employment Service.

Some of the shortcomings of American human resource development efforts arise not so much from a lack of initiatives, but from too many separate programs aimed in too many different directions, diluting the effect of scarce personnel and funds. Several states are attempting to make their assistance easier to receive by streamlining the process of applying for help. They believe a less monolithic, less intimidating bureaucracy will expedite counseling, training, and job placement.

No element of a comprehensive education, training, and employment policy can be considered in isolation. Students with an insufficient elementary and secondary education, for example, require second-chance programs to develop basic skills. Such remedial education drains resources away from public and private development programs, which consequently train fewer people. A limited-skill workforce is less attractive to new and expanding firms. Lack of business investment and resulting reduced employment force the state to spend more on increased support services while receiving less business and individual taxes. Every piece of a successful state economy interlocks with all other pieces, and underpinning the whole structure is the solid foundation of education and training that constitutes human resource development.

A Quality Workforce: The Key to Competitiveness

THE VANISHING ASSEMBLY LINE

The automobile-driven industrial revolution of the early 20th century followed by an enormous post-World War II economic expansion caused assembly-line employment to become a well-paid option for American workers lacking advanced skills. The subsequent rise of international competitors and global markets now means U.S. firms and employees can no longer count on endless domestic demand to guarantee the huge profits that permitted high-wage assembly-line work. The dispersal of modern production technology led to the large-scale export of line jobs, first to low-wage states in the United States and then to countries with even lower labor costs, displacing many American workers and depressing wages. Under these circumstances, it makes no sense for states to base their economic futures on firms and industries paying low wages that can always be found elsewhere. To maintain high-wage employment states must encourage development of the broad range of skills necessary for success in high-performance workplaces and simultaneously encourage firms to move from the mass-production model to one based on high performance.

The high-performance organization is defined as "not merely the traditional organization that has been streamlined for efficiency. It is an organization that looks totally different from what we are used to seeing. It has been redesigned to enhance customer responsiveness. Its work is organized around processes rather than functions" ¹ (see table 1).

Traditional mass production systems vest decisionmaking power solely in the hands of managers and engineers. These systems are called "Taylorist," after engineer Frederick Taylor, whose time and motion studies influenced the creation of Henry Ford's assembly lines in the early 1900s. High-performance workplaces, by contrast, distribute authority to front-line workers who, by reason of their proximity and familiarity with the systems they operate, are ideally placed to plan and implement changes.

Industrial plants, like the farms and mines that once made up the backbone of the economy, are employing fewer people in the face of advancing technology. Shifting production methods, technological advancement, changing consumer tastes, application of modern processes and computer-aided management systems will change significantly the 95 percent of American businesses that still operate in the traditional Tayloristic manner.

Anyone who has observed or worked on an assembly line is familiar with how Taylorism breaks complex production sequences down into a series of discrete, frequently repeated tasks. This system, designed so factories of the early 20th century could effectively employ large numbers of low-skilled immigrant and rural labor, has since become restrictive and cumbersome. The numerous second-level supervisors, planners, and technicians needed to run the line increase personnel costs and make production changes difficult and time consuming. By reducing all line workers to a lowest common skill denominator, Taylorism downplays

SUMMARY

Globally competitive businesses have little regard for national borders, natural resources, or long-held commercial traditions. Fax machines, container ships, and microchips have shrunk our world, enabling producers of goods and services to roam far and wide seeking the most profitable combination of high quality for low cost. The number of firms, both American and foreign, that conduct international business has exploded in recent years. Technology, information, and raw materials can be transferred from one place to another.

People, though, remain basically where they are. They are the only economic assets that cannot be easily moved someplace else. With all other inputs being equal, this makes skilled workers the deciding factor in where high-quality, high-wage employers locate their operations.

Engineers typically upgrade the transmission, brakes, and tires of a car to accommodate the increased power of a new engine. In the same way, the development and maintenance of high-skill workforces makes sense only when combined with the establishment of high-performance workplaces. These firms tap the knowledge and experience of front-line workers (as opposed to executives and engineers) to implement more efficient management systems, processes, and technologies.

individual aptitude and highlights the cost of labor as the most important factor in plant location. Tayloristic firms move from place to place seeking ever lower labor costs in order to maintain their revenues. When they leave, few opportunities remain for the limited-skilled, front-line workers trained to perform a single task on a now-vanished assembly line.

Statistics confirm the shift away from assembly-line based employment in the United States. While manufacturing accounts for the same percentage of gross national product it did decades ago, the number of manufacturing jobs dropped by one million

between 1989 and 1991 (see figure 1). This trend is likely to continue; the Bureau of Labor Statistics predicts no net increase in America's current 18 million manufacturing jobs during the 1990s.² An example of what has happened can be seen in the American steel industry, which produces as much today on a cumulative basis as it did 40 years ago, though it employs just one-third of the workforce. Computerization, robots, and new management techniques

(including health care and education), compared with just 13 percent in manufacturing.³

In his study *America and the New Economy*, researcher Anthony Carnevale listed reasons for the increase in service employment, including the following:

- As incomes have risen, a decreasing share goes for material goods (like food and housing). As this happens, a rising share goes to services such as education, personal services, health care, recreation, and environmental services.
- The share of jobs going to services is increasing because more and more extracted and manufactured goods are being made with fewer and fewer workers. Productivity in manufacturing and extractive industries has outstripped productivity in services for hundreds of years and continues to do so.
- Even within the manufacturing sector, service employment is increasing. A substantial number of new service employees will be required to design, develop, and market a variety of timely, state-of-the-art products in a complex global environment.⁴

Service sector employment carries an image in many minds of fast-food clerks who need to know little more than how to read cash register icons and take orders. Though many "McJobs" exist, many other service occupations, like the ones listed by Carnevale, require a high degree of literacy as well as the ability to conduct independent analysis, make decisions, and work in teams. Fields ranging from health care to auto diagnostics call for practitioners to be skilled in the latest technical advances and be able to relate large and varied amounts of information to customers.

THE BUSINESS OF QUALITY

Traditional barometers of economic performance that measure only input and output are no longer reliable indicators of workplace efficiency. The modern global market places a premium on quality resulting from maximizing customer satisfaction while minimizing production costs. Quality in this sense is not just an abstract goal—it can both save and make money for businesses. Carnevale has noted that a typical factory invests 20 percent to 25 percent of its operating budget finding and correcting mistakes, and another 5 percent recalling prod-

CHARACTERISTICS OF TODAY'S AND TOMORROW'S WORKPLACE

TRADITIONAL MODEL	HIGH PERFORMANCE MODEL
STRATEGY	
• Mass production • Long production runs • Centralized control	• Flexible production • Customized production • Decentralized control
PRODUCTION	
• Fixed automation • End-of-line quality control • Fragmentation of tasks • Authority vested in supervisor	• Flexible automation • On-line quality control • Work teams, multi-skill • Authority delegated
HIRING AND HUMAN SERVICES	
• Labor-Management confrontation • Minimal qualifications accepted • Workers as a cost to the company	• Cooperation • Screening basic skills • Worker investment
JOB LADDERS	
• Internal labor market • Advancement by seniority	• Limited internal market • By certified skills
TRAINING	
• Minimal for production workers • Specialized for craft workers	• Training for everyone • Broader skills taught

Source: "Competing in the New International Economy," Washington, D.C.: Office of Technology Assessment, 1990.

Table 1

allow "mini-mills" to turn a profit by producing for specialized niche markets in ways impractical for the industry behemoths of the 1950s and 1960s.

THE RISE OF THE SERVICE ECONOMY

Falloff in jobs created by traditional sources has been taken up in large measure by service occupations. Service employment in the 1990s is expected to increase by 17 million people. More people now work in computer and data processing than in mining; governments employ more than do manufacturers. The Census Bureau reported more than one-quarter of new hires in the 1980s were in retail stores and another 20 percent in professional services

ucts for repair. In addition to the money involved, it takes time to overcome these mistakes in the eyes of the public (as American auto companies learned in the 1970s and early 1980s).

U.S. PRODUCTIVITY STILL TOPS

Thanks to the rise in imports in the 1970s and 1980s and the concurrent decline of industrial giants like General Motors, the belief has grown recently that the United States has been overtaken economically by Japan and Germany and is threatened by newcomers like South Korea and other European nations. In fact, the United States still leads the world in industrial productivity, defined as the ability to produce more with the same or fewer resources. According to a McKinsey Global Institute study cited in the *Wall Street Journal*, a full-time American worker produced \$49,600 worth of goods and services in 1990. In the same period, a German worker produced \$44,200; a Japanese worker, \$38,200; and a British worker, \$37,100.⁵ The American advantage, however, is by no means insurmountable. Japanese productivity has increased at an average annual rate of 6 percent since 1950, compared with slightly less than 2 percent in the United States (though Japan's growth curve has flattened over the last decade; since 1980 the increase in Japanese productivity has been nearly identical to that of the United States [see table 2]).⁶

The nature of America's competitive advantage is also changing. Where it once depended on technical innovation, the United States now relies on more workers and longer hours to maintain its productivity edge (see figure 2). Some two-thirds of the population is now working, compared with less than 60 percent 40 years ago. The rise in numbers of working women is even more significant—up from 33 percent in 1950 to 57 percent in 1991. Americans now work longer, too—the average work year of 1,890 hours trails only Japan's 2,173.⁷

WANTED: QUALITY SYSTEMS

These figures belie the image of a lazy American workforce, but success in the modern economy requires people to work smarter, not just harder. Workers in Tayloristic firms are limited by their surroundings as much as by their level of training. The drive for workplace excellence demands long-term attention from the highest levels of management. It is not enough to simply assign a vice president to

oversee "quality" and then consider the matter resolved. High-performance workplaces boast a top-to-bottom systematic commitment to the precepts of customer satisfaction, product excellence, and continual improvement, with front-line employees just as vital to the system as managers and planners.

JAPAN'S QUALITY SYSTEM: MADE IN AMERICA

Observers have long noted the role such quality systems played in Japan's economic revival. Over the past decade, a number of American firms have worked to implement them here. Ironically, the celebrated Japanese quality process was developed by an American. During World War II, economist W. Edwards Deming developed a statistical process—total quality management (TQM)—that focuses on consumer satisfaction by measuring improvements with simple statistical tools. This system uses the resulting data to work towards continual refinement of both products and the production process. Total quality management theory holds that controlling inputs is critical to obtaining a predictable output. Minimizing errors and eliminating bottlenecks lead to fewer corrections and reduced costs; products of consistent high quality increase demand.

Massive pent-up demand in postwar America caused Deming's principles to be ignored by businesses that believed, correctly as it turned out, that customers would purchase vast quantities of virtually anything they produced. The situation in Japan was quite different. Industries shattered by the war faced domestic demand that would remain small for years. The only way the nation could recover was to export, and the only way to gain a foothold in world markets was to innovate and search out marginal areas that had been abandoned as unprofitable by American industrial giants. To make

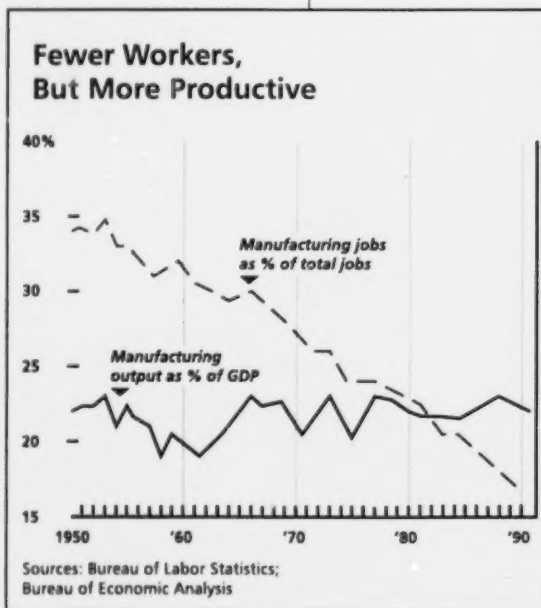


Figure 1

a profit in these niches, costs had to be reduced while quality was increased. Japanese businesses consulted Derrington, contacts blossomed, and over the next two decades some 20,000 people learned about TQM.

In its ideal application, TQM reduces defects to the point that management and labor resources go into production rather than remedial correction and repairs. The philosophy that quality enhances

competitive ability is manifested in the performance of Japanese auto plants which lead the world in fewest defects per unit of production. Total Quality Management is system-based, meaning Americans who work in Japanese-owned "transplant" factories in the United States have pushed defect ratios down to levels that approach those of the best plants in Japan. American auto companies that have belatedly adopted TQM principles, like Ford, and those that have built it in from the ground up, like GM's Saturn division, now produce with far fewer errors than domestic auto makers did a decade ago.

a relative handful have moved down the road that links education, training, and management to form the high-performance organization.

Five states (Arizona, Oklahoma, Pennsylvania, Oregon, and Kansas) are among the leaders in exploring ways to help firms and industries move up to a high-performance mode and build the private sector infrastructure, or learning system, that can enhance the competitiveness of business. The goals of states that are encouraging the development of high-performance learning systems resemble the parable that says, "give a person a fish and he eats for a day—teach him how to fish and he eats forever." In the same way, these five states aim to help all their resident businesses "learn how to fish" by aiding the development of continual learning systems that will benefit employees, suppliers, and the firms themselves. Under this approach, government's role is to challenge the industry to help itself. Several principles guide this approach:

- The state should focus on outcomes, not inputs and controls.
- A state's role should be that of catalyst—not provider of direct services.
- Government should not subsidize market decisions of an individual firm.

Arizona's Critical Industries Plan

Arizona took its first steps toward high-performance in 1990 with the Arizona Strategic Plan for Economic Development. Arizona's plan assists critical firms in organizing to help themselves. The state targets clusters of industries in fields ranging from information, minerals, tourism, and health care. Ideally, firms within these industry clusters will begin to work with each other to develop learning systems that will allow them to constantly improve the quality of their employees, operations, and products.

Oklahoma's Industrial Extension Service

Measures passed by the Oklahoma Legislature in 1992 helped manufacturers create the Oklahoma Alliance for Manufacturing Excellence to promote modernization through a statewide industrial extension service. Modeled after the familiar agricultural extension service, industrial extension seeks to provide the most current information available on production and management systems to firms too small

Percentage Increase in Productivity, 1950-1989

Country	Percentage Productivity Increased
Japan	6.0%
Korea	5.7
Italy	3.9
Austria	3.8
Germany	3.8
Norway	3.2
France	3.1
Belgium	2.9
Canada	2.7
Denmark	2.7
Netherlands	2.5
Sweden	2.5
United Kingdom	2.2
United States	1.9

How to Read This Table: The rate of increase in overall economic output is shown for each nation. For instance, between 1950 and 1989, overall American productivity increased by 1.9 percent a year on average. Over the same period, Japanese productivity increased by 6.0 percent a year on average. As a result, although we are still the productivity leader, the Japanese and other nations are catching up.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Table 2

STATES BOOST QUALITY SYSTEMS

States are just as affected by the demand-driven economy as businesses are, though in a somewhat different way. Where individual firms seek to appeal to customers who value quality, states increasingly look to develop environments attractive to high-performance firms that will pay high wages necessary to maintain the living standards of workers and their communities. While every state has recognized the need to become competitive on a global level, only

to otherwise afford such expertise. The alliance is governed and financed by member manufacturers along with funds from the Department of Commerce and the Oklahoma Center for the Advancement of Science and Technology.

Pennsylvania's Resource Centers

Pennsylvania features a network of nine Industrial Resource Centers to help major manufacturers modernize their supplier bases. The centers are initiated by the state, directed by the private sector, and customized to meet regional circumstances. Another body, the Pennsylvania Industrial Development Authority, provides low interest loans to support modernization of firms to create high quality jobs. The Pennsylvania Commerce Department has targeted firms committed to total quality management for assistance from the industrial development authority in adopting new technologies, human capital investment, and export promotion. Pennsylvania is fusing its business financing and manufacturing technology assistance programs to focus on helping quality firms. Although Pennsylvania doesn't try to use high-performance organization as a description for these quality firms, it seems apparent that the state is trying to focus on high-performance firms and on those that are moving in that direction.

Oregon's Comprehensive Approach

Oregon provides the most systematic and comprehensive model of how states can improve the competitiveness of workers, communities, and industries, with an emphasis on results, not inputs. Oregon first addressed the high-performance issue through 1988 and 1991 legislation aimed at the state's critical wood products industry. Firms participated in focus groups to examine competitiveness problems. Their involvement paved the way for later bills that created the Secondary Wood Products Competitiveness Corporation. Other 1991 legislation called for the state Economic Development Department to work with other major state industries to help them collectively address their problems. This department is training network brokers to go on site to work with firms.

Additional Oregon strategies to promote high-performance firms include

- educating firms about production strategies like TQM, team-based

organization, and benchmarking for our comes;

- establishing a high-performance training fund;
- providing technical assistance to firms in basic quality management to help them shift from Tayloristic to high-performance systems; and
- teaching high-performance concepts in high schools, technical education programs, apprenticeships, and business schools.

As a result of the Oregon legislature's inquiries and actions, high-performance organizations in Oregon formed their own trade association, the Oregon Quality Initiative.

A Kansas Vision

Kansas has leap-frogged every state in the nation in developing a dynamic state strategy to focus on both a high skilled workforce and globally competitive firms that offer high quality, high value-added products and services. Oregon, too, has a strategic plan ("Oregon Shines"), but its emphasis is primarily on producing an educated, skilled workforce.

Kansas developed two goals for its sophisticated 1993 economic development strategy: to encourage businesses to compete successfully in global markets through high quality, high value-added products and services and to produce a high skill workforce that is internationally competitive. Among the economic principles designed to help reach these goals and detailed in the strategic plan, "A Kansas Vision," are the following:

- Help those firms and communities willing to help themselves.

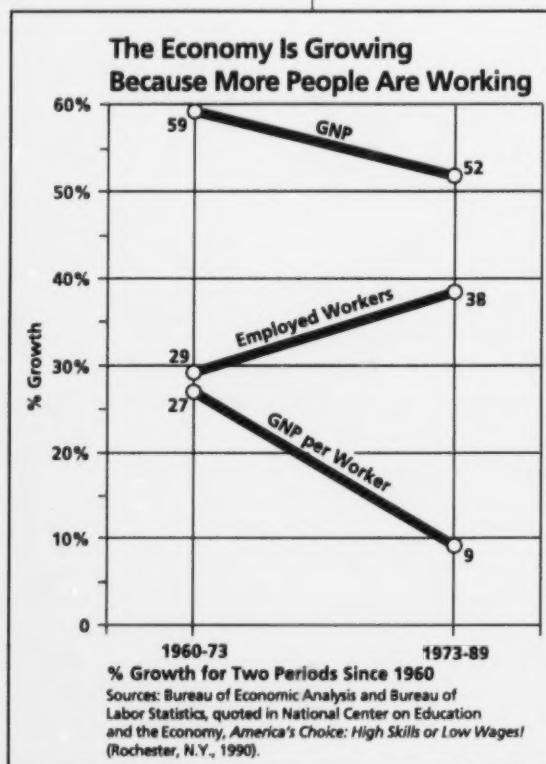


Figure 2

- Emphasize business assistance for small and medium-sized companies while building relationships with larger firms.
- Scale economic development efforts to the relative size of the opportunities and problems addressed.
- Focus on the quality of leadership and management of businesses and communities.
- Rely on joint public and private leadership in the ongoing planning, governance, and implementation of economic development.

Kansas has built a system that stresses continual learning and consensus-building, two lodestars of the high-performance organization. Elements of this system include the legislature's economic development committees, bipartisan legislative leadership, Kansas Inc. (a research and analysis organization that provides information to policymakers and oversees the strategic plan), private sector support, and numerous public-private partnerships. The interest of these varied groups, along with the structure they have created, demonstrates the willingness of Kansas to continually learn from other states and the world about how to improve its system for economic competitiveness. This ability may provide Kansas with a critical competitive advantage in coming decades.

CONCLUSION

By encouraging the development of continuous learning systems in firms and industries that promote constant improvement in the quality of goods and services, these five states are acting to gain a competitive edge in today's global economy. Industries that once survived through access to raw materials, low wages, or by buying advanced technology now must think and act faster than their competitors. The more states can aid industries in the adoption of high-performance systems that make quick action possible, the better chance they will have of assuring high-wage employment into the 21st century.

NOTES

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Building a New Foundation: Basic Education Reform

EDUCATION'S ROLE IN A STATE'S ECONOMIC HEALTH

Though basic education exerts a profound effect on all aspects of a state's economic health, the long time span between the start and finish of a school career makes it among the most difficult social programs to develop and adjust. Throughout American history, state educational policies have had a long reach, sometimes across centuries.

In 1992 a University of South Carolina study reviewed 300 years of state history and found the colonial-era school system, consisting of private academies for the children of wealthy plantation owners, had put the state at a competitive disadvantage with its northern counterparts. Colonies like Massachusetts had developed a network of common schools aimed at giving all children a sound fundamental education. As a consequence, the industrial age largely bypassed South Carolina in favor of more broadly skilled northeastern states; only in recent decades have primary, secondary, and post-secondary reforms enabled South Carolina to enhance its competitiveness both domestically and internationally.¹ The accelerated pace of modern technology has intensified this cause-and-effect process. Policymakers face tremendous pressure trying to foresee the demands that will be made on today's kindergartners when they enter the workplace 10 to 15 years from now.

Students and teachers work within a primary and secondary education system that confronts social, academic, and administrative difficulties American public schools have never faced before. Legislative attention is critical to a public school system perpetually beleaguered by problems ranging from crumbling buildings to insufficient supplies, crime among students, and poor academic performance stemming from combinations of all of these. At the same time, American public schools are called upon to perform the daunting task of assimilating and educating the most diverse student populations in the world. By size alone this mission is intimidating: the U.S. Department of Education estimates 2.4 million teachers instruct some 42 million students in 82,000 schools in 15,000 districts nationwide at a cost of nearly \$200 billion.²

STATES CARRY MOST OF EDUCATION BURDEN

Based on recent national debates over uniform curriculum standards, school choice, and equity in funding between districts, an outsider might conclude the federal government is responsible for providing public education in this country. In reality, Washington accounts for only about 6 percent of the \$200-plus billion spent nationwide on education from kindergarten to the twelfth grade. State and local governments have always performed the lion's share of school funding and administration, and the state role is increasing—rising 31 percent in the 1980s.

In 1990, states accounted for 49 percent of K-12 funding, up from 40 percent twenty years before.

SUMMARY

High-performance workplaces require employees who can function as both individuals and team members. To perform this dual role, workers need basic skills (ranging from math and verbal literacy to an overall ability to learn) and social skills (such as the ability to work in teams). Early development of these skills combined with their continual refinement results in a better-prepared workforce and less need for costly remedial learning. For this reason, it has become essential that state legislatures incorporate basic public education programs from kindergarten through grade 12 (K-12) into the framework of comprehensive human resource development programs.

The international challenge reaffirms the importance of basic education to the economic health of states. Today, American firms compete with businesses in other industrial nations that benefit from public education and school-to-work transition systems that enhance productivity. These systems also reduce or eliminate the job-to-job drifting common among recent graduates in the United States. Low-skill occupations that once provided a safety valve for those who dropped out or did poorly in school have gradually left this country. A nation's standard of living and the competitiveness of its workforce in the international marketplace are more closely connected than ever. Education is essential to the ability to compete, and state legislatures are vital to education.

Over the same period, the amount financed by local governments dropped from 52 percent to 44 percent, and the federal government's portion dwindled from 8 percent to 6 percent ³ (see figure 3).

Throughout its history, the American K-12 system has emphasized local control over funding and curricula. This practice is more than custom. Forty-nine state constitutions explicitly refer to the state's responsibility for providing a system of public education. By contrast, the Constitution of the United States (which predates public instruction) makes no mention of a federal role in education.

Primary and secondary education is the single

greatest obligation borne by state and local governments, accounting for an average 37 percent of overall general fund revenue for the 50 states, the District of Columbia, and Puerto Rico. The individual state shares vary widely, from 90 percent in Montana to 6 percent in New Hampshire, but the aggregate state outlay of some \$153 billion provides state legislators essential leverage in determining

spending gaps between the richest and poorest school districts in individual states can also vary by thousands of dollars. Texas districts lead in this disparity, ranging from \$11,801 to \$3,190. Much of this difference has been attributed to instruction, transportation, and equipment costs that preclude absolute equality in spending.

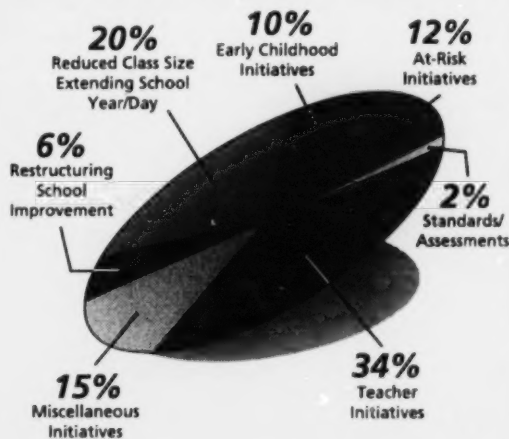
Though no direct correlation has been found between per-student expenditures and academic achievement, school districts, local boards of education, and parents have filed lawsuits claiming funding inequities impair the progress of disadvantaged students. The U.S. Supreme Court ruled in the 1973 case of *San Antonio Independent School District v. Rodriguez* that K-12 education systems were subject to state, not federal, oversight. This decision opened the door for state litigation, and in the years since that decision at least a dozen state supreme courts have in fact declared entire state education systems unconstitutional on the basis of inefficient or unequal distribution of funds.

Most of the cases currently under review address funding inequities arising from reliance on property taxes to finance public education. Despite its traditional role as the primary source of education revenue, raising funds based on property value leads to a situation whereby disadvantaged areas that need the most support lack the means by which to finance it. State legislatures have become involved in the equity question through court decisions holding that local school districts are subdivisions of the state, making locally collected property taxes serve as state funds for purposes of school finance.

A number of courts have ordered states to correct funding discrepancies, but legislatures in several states have gone beyond relatively narrow legal prescriptions and have substantially restructured their public education delivery systems. The best example of this type of initiative is the 1990 Kentucky Education Reform Act, in which the General Assembly mandated new statewide standards in curricula, testing, administration, and financing. To aid in the design of this blueprint, the legislature created a Task Force on Education Reform, examined the best programs from other states, and brought in outside consultants to review existing programs in an effort to satisfy the Kentucky Supreme Court's requirement of an "efficient system of common schools."

Kentucky's experience illustrates the window

Education Reform: Where Did All the States' Money Go?



Source: Deborah Verstegen, "What Policymakers Need to Know About School Finance and Equity" (unpublished) (Washington, D.C.: National Governors' Association, 1991).

Figure 3

the scope and content of public education. ⁴

SCHOOL FINANCE: THE SEARCH FOR EQUALITY

Building a strong foundation requires excellent materials. As more students enter the educational system in a state of equivalent quality, fewer scarce resources will have to be diverted to remedial programs. An immediate problem facing state legislatures in this regard is funding equity between school districts. In 1992 there were suits pending on this issue in 22 states.

It has long been clear that per-student education expenditures vary widely among states. According to 1992 U.S. Department of Education figures, extremes in funding averages ranged from \$8,793 in New Jersey to \$2,827 in Utah. The

of opportunity that opens when an issue of immediate urgency like school financing coincides with the longer-term aim of substantially reforming or restructuring public schools. This opportunity is by no means universal—some states have implemented widespread change without a court order, while some that are under order, like Texas, have given no indication that they will go as far as Kentucky. Still, Kentucky's example demonstrates that sometimes the straightest line between an idea and its execution can be a lawsuit.

SCHOOL REFORM: A ROCKY ROAD

The 1983 publication of "A Nation at Risk," the federal report that warned of a "rising tide of mediocrity" in America's public schools, unleashed a wave of proposals aimed at reforming public education. Some 45 states developed initiatives centered around enhanced testing, graduation requirements, and teacher certification. Money flowed as well—public school funding increased 114 percent in the 1980s (a 27 percent rise when adjusted for inflation). According to the National Governors' Association, one-third of this money went toward teacher incentives in the form of increased salaries and merit pay. Another fifth was directed at reducing class size and lengthening school days and years. Items budgeted for lesser amounts included support programs in science, math, and languages; "at-risk" and early childhood programs; and new forms of student assessment and enhanced graduation requirements⁵ (see figure 4).

Despite the surge of attention to basic education, there was no significant improvement as witnessed by the traditional barometer of student test scores. In 1989, sensing that little progress had been made, the nation's governors, led by Bill Clinton of Arkansas, joined the Bush administration in developing six national goals for education (see table 3). The result was a number of state education reform initiatives designed to address the issues raised in meeting the national goals. More recently, the privately funded National Center on Education and the Economy launched the New Standards Project aimed at implementing a national system of performance-based assessment that would more accurately measure the ability of students to enter a competitive workforce.

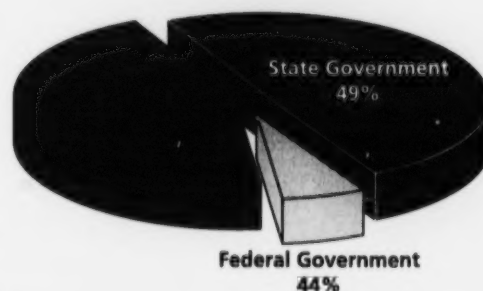
ELEMENTS OF REFORM

The entire American public education enterprise is in the throes of major restructuring. Reform projects emerge, occasionally flourish, and are sometimes enacted. Most of these initiatives are too widespread and new to evaluate yet. However, legislatures are certain to confront some or all of these proposals in the coming years:

- **School choice** and the use of vouchers allowing students to attend institutions outside their normally assigned school or district. Most choice plans permit students to attend other public schools (usually in the same district), while the more controversial vouchers would provide parents with public funds that would follow the student to any institution, public or private.

- **Site-based management** of education at the individual building level. This concept suggests that the running of individual schools is best left in the hands of those who perform this duty on a daily basis, as opposed to a more distant central administration. Many advocates of reform argue that the autonomy generated by site-based management is a necessary condition for other education reforms to be effective. Increasingly, state legislation is encouraging some form of site-based management.

Who Pays for K-12 Education in the United States?



Source: U.S. Department of Education, cited in Deborah Versteeg, "What Policymakers Need to Know About School Finance and Equity" (unpublished) (Washington, D.C.: National Governors' Association, 1991).

Figure 4

THE NATIONAL EDUCATION GOALS

By the year 2000:

1. All children in America will start school ready to learn.
2. The high school graduation rate will increase to at least 90 percent.
3. American students will leave grades four, eight, and twelve having demonstrated competency in challenging subject matter including English, mathematics, science, history, and geography; and every school in America will ensure that all students learn to use their minds well, so they may be prepared for responsible citizenship, further learning, and productive employment in our modern economy.
4. U.S. students will be the first in the world in science and mathematics achievement.
5. Every adult American will be literate and will possess the knowledge and skills necessary to compete in a global economy and exercise the rights and responsibilities of citizenship.
6. Every school in America will be free of drugs and violence and will offer a disciplined environment conducive to learning.

Table 3

- **Charter schools** blend together elements of school choice and site-based management. Under this system, schools can obtain state approval to leave the public system and operate on their own, emphasizing different learning styles or subject specialization. These schools are sponsored by local boards of education and are approved by the state board of education. Seven states currently offer the charter option; an NCSL survey found that legislators in an additional 16 states submitted charter school bills during the 1993 session.

- **A national system of assessment** based on standards of performance calibrated for all students across the states. This idea is less a standardized curriculum or testing program than it is an attempt to implement radical reform in the methods used to assess student performance. Various proposals for such a system are currently being discussed in education policy circles, but no conclusive decisions have been reached.

- **Broader measurement of student performance.** Rather than rely on standardized multiple-choice exams that measure a limited set of skills, states and districts are experimenting with performance assessment that emphasizes problem-solving abilities—key factors in the competitiveness of the workforce. Some states have adopted portfolios featuring samples of a student's work, including a best example, teacher comments, and recommendations.

- **New curriculum requirements** differing radically from the standard set of graduation requirements or Carnegie units that have been used for several decades. Frequently referred to as outcomes-based education, these policies establish a set of standards on outcomes that a state considers important for public education graduates to attain.

- **Restructured teacher education programs.** The next several decades will see a major turnover in teachers. Many more minority teachers will be needed. The prestige of the profession will increase as various education reform measures call for increased administrative and classroom responsibility for teachers.

Each of these reforms has implications for the development of a quality workforce. People who enter the workplace with a solid background in math, literacy, and socialization skills more easily

acquire the specialized skills required for their specific occupation. Conversely, those who lack these fundamental abilities face a long and difficult period of remedial education before they can begin to address the most basic job responsibilities. Second-chance instruction imposes extensive costs in time, money, and lost productivity for states, firms and workers.

The task of incorporating reform proposals into a comprehensive restructuring program will be difficult, but not impossible, as Oregon proved through the 1991 passage of its Education Act for the 21st Century. This is an example of the comprehensive strategy more states are likely to contemplate in the near future. The catalyst for change in Oregon was not a court order, but a desire on the part of legislative and executive policymakers to radically transform the state's educational system to prepare the competitive workforce required in coming decades.

To accomplish this goal the Oregon plan combined a number of separate initiatives, including reduced class size, early intervention for at-risk children, site-based management, a new system of student certification (graduation requirements), longer school years, and limited public school choice into an overall plan aimed at creating a "workforce equal to any in the world by the year 2010."

CONCLUSION

Long-term, sustained efforts to reform the K-12 system must be a cornerstone of legislative activity to establish a skilled workforce. Nurturing a student's ability to learn is as important for overall development as mastering any single academic subject, and the earlier this ability can be promoted, the better. This process has become progressively more difficult as forces of the larger society intrude upon the classroom in ways more pervasive and more disruptive than ever. Previously, state legislators limited their involvement in education issues largely to technical questions dealing with funding and curriculum. Legislators today face the added responsibility to lay the foundation that will determine their state's standards of living far into the 21st century. Education is the source from which all other state human resource development efforts spring; in a real sense the economic health of a state, and its potential, can be determined by looking at the condition of its schools.

NOTES

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The Race for Jobs: State Employment and Training Efforts

GROWING INDUSTRY RIGHT AT HOME

For many states, training and education for existing and potential workers has supplanted the acquisition of large industrial plants as the cornerstone of an overall economic development strategy. States require a level of economic stability greater than occasionally attracting an expensive plant from outside—with no assurance it will not leave as quickly as it arrived. Called “second-wave” economic development, virtually every state has implemented some form of program aimed at retaining and encouraging the expansion of existing small and mid-size firms.

Even as the second wave of promoting employment through the encouragement of home-grown enterprises breaks on the economic shoreline, development specialists see a “third wave” forming. States can reduce the financial burdens of direct subsidy by acting instead as brokers and catalysts for cooperation among private partners cultivating skilled resident workforces. In contrast to plans that looked outside the state for opportunities to provide an immediate economic boost, newer programs target long-term development within the state by nurturing “intellectual infrastructures” of facilities and resources necessary to prepare workers for today’s highly competitive worldwide markets. States now recognize a central paradox of modern economic development: The mobility that allows states to attract outside investments also allows these plants and businesses to easily relocate when conditions change. In light of this new reality, an educated workforce has supplanted low wage and giveaway strategies and has become a strong magnet to investment for most states.

IMPORTING JOBS: ONLY A QUICK FIX

States seek fiscal health via expanding tax bases and increased employment. One way to achieve this goal is to acquire businesses from outside the state. States have proven willing to go to great lengths to lure firms and plants from elsewhere. A 1987 report to the Mississippi legislature outlined the time-tested first-wave strategy of “encouraging industries to locate in Mississippi by offering tax incentives and exemptions, low-cost state financing...and by touting Mississippi’s inexpensive, largely non-unionized labor force.” In the modern global economy, however, American states have no monopoly on inexpensive labor, and tax giveaways are increasingly costly. First-wave strategies can still succeed, but at a cost that reflects mounting international competitive pressure; in the mid-1980s Kentucky committed an estimated \$50,000 per job in pump-priming inducements to land a new Toyota plant.¹

SUMMARY

Employment is a critical component of human resource development policy. Without jobs, after all, education and training efforts have little purpose. States realize this and in recent years have grabbed headlines offering huge incentives to attract lucrative billion-dollar corporate investments from giants like General Motors and United Airlines. Though often seen as desperate grasps for any economic straw in a recessionary era, state searches for new industry and business are not a new phenomenon. The postwar period has overflowed with competition among the states to attract new investment.

For many years the race for jobs was a zero-sum game played largely within U.S. borders, as states bid against each other for plants that were relocating. “Winners” in what development specialists call the “first wave” of industrial recruitment assumed financial burdens in the form of tax abatements and low or no-interest loans granted to attract the new arrivals, though the state had no guarantee that the jobs would still be around when these incentives were finally paid for. Now states find themselves competing not only with each other, but with other nations, many of which possess significantly lower-cost labor and production facilities. Chasing smokestacks has become an increasingly expensive business, spurring state governments to mount new searches—this time for alternative development strategies.

Legislators asked to spend this kind of money understandably want assurances that they will see a return on their investment. Though it can generate large-scale employment, smokestack chasing also generates questions, usually centered on the vulnerability of industries (and the state's investment) to economic forces beyond the control of state governments, or, for that matter, any other individual political entity.

LURING COMPANIES: RISK IN AN AGE OF SCARCITY

Pennsylvania faced these questions in 1988 when Volkswagen, coping with slumping sales of its Golf hatchback, shuttered its plant in Westmoreland County, near Pittsburgh. The closure meant the loss of \$71 million in incentives Pennsylvania had committed to attract Volkswagen to the state in the early 1970s. The plant's shutdown came as a surprise, especially since Volkswagen itself had invested more than half a billion dollars to upgrade the facility. The problem was not high costs—a Volkswagen spokesman noted that employees could have worked without pay and the plant still would have lost money. Demand for the Golf had changed, and Volkswagen found itself in a money-losing position it could not sustain at any price.²

Despite the demise of VW in Pennsylvania, other high-finance, high-profile automotive ventures in Illinois, Kentucky, Indiana, and elsewhere illustrate the continuing lure of this form of development. In 1992, South Carolina promised \$150 million in tax breaks to land a BMW plant and its 1,500 jobs. Alabama upped the ante with a \$300 million-plus package to attract Mercedes-Benz in 1993. The competition is not limited to cars, either. In 1991, 11 states assembled incentive packages worth hundreds of millions of dollars to attract a billion-dollar United Airlines maintenance center, and Minnesota paid \$840 million in tax incentives and loans to receive a Northwest Airlines service facility. High wages, numerous jobs, and the immediate political boost elected officials receive by outbidding other states for a valued plant can overshadow concerns about the long-term return on such large investments. Nevertheless, commitments of this magnitude are increasingly difficult for states to justify in an era of exploding obligations and dwindling revenues. The relative scar-

city of relocating plants guarantees their price will be high, and there is no assurance that a plant that moves today from Illinois to Mississippi will not soon be heading on to Singapore or Ireland.

REFINING THE PROCESS: STATE-FUNDED JOB TRAINING

Upgrading the skills of the current and future workers that will make up most of the workforce of the 21st century has gained favor among states that seek long-term economic success but are concerned about its cost. By 1988, states were spending more than a billion dollars total on programs designed to directly subsidize the development of homegrown enterprises. Some 46 states now finance and administer their own skill training programs. The level of state involvement and funding varies in this type of program, but all of these states share the goal of enhancing the abilities of their workforces in order to be more competitive in the global economy.

Compared with federal assistance programs that deliver categorical (e.g., youth, disadvantaged, displaced) services to individuals, state-funded training programs are more flexible and sometimes target entire firms for assistance. Programs are often administered from economic development or commerce offices rather than more traditional labor or education departments to emphasize their intended impact on the overall economy.

STATE TRAINING INITIATIVES: "SECOND WAVE" DEVELOPMENT

Programs like the California Employment Training Panel and Illinois' Prairie State 2000 Authority provide direct assistance to businesses by underwriting retraining for workers whose jobs would otherwise be lost through changes in the workplace. Massachusetts' Bay State Skills Corporation (BSSC), demonstrating another model, acts as a broker between workers needing specific skill enhancement and providers of public and private training services. These programs and similar organizations in Florida, Kentucky, Rhode Island, and Minnesota act, in the words of the Minnesota Job Skills Partnership Board, "to assist growing companies and industries experiencing growth accompanied by skills shortages by enhancing educational institutions' capacity to design education and training programs to fill the skills needs and ensure that displaced workers have access to the training that will lead to jobs."

"The relative scarcity of relocating plants guarantees their price will be high, and there is no assurance that a plant that moves today from Illinois to Mississippi will not soon be heading on to Singapore or Ireland."

The BSSC is an example of a state training corporation administered by a "quasi-public" board. In this type of program, the administrative body operates independently from existing executive branch agencies. The state-funded board includes representatives of education, labor, business, and state agencies. The efforts of these boards are essential if states are to maintain and expand public education institutions to meet the needs of workers requiring training and retraining.

WHAT LEGISLATORS CAN DO

Legislators play an important part in the development and operation of state training boards and corporations. Through their fiscal oversight role, legislators can clearly define what kind of training efforts they intend to promote, and thus avoid subsidizing firms for activities they would have undertaken anyway. Some states have tightened the focus of training programs to target funds to companies most in need of assistance. A 1993 Economic Policy Institute study noted that California legislation "reauthorizing the Employment Training Panel required ETP to target funds for regional growth industries, occupations, and labor markets. The legislature emphasized the need to increase funding for small businesses. Further, for large firm contracts, the state now requires larger in-kind contributions from employers and the development of productivity measures associated with ETP training."

Workforce development is far from an exact science. Expensive under the best of circumstances, it is doubly difficult under present budget constraints, yet economic necessity makes the effort more vital than ever. Limited funding is the major threat to the success of state subsidy programs. Criticism of some state efforts centers on their being too small to accomplish the job they set out to do. The Center for the New West has estimated that a state whose firms do \$50 billion a year in business would need to allocate some \$500 million annually in seed money to fund innovative startup programs. In light of this, multimillion dollar appropriations that seem substantial at first glance pale to near insignificance. To get more value for the state dollars they are spending, public and quasi-public development corporations may wish to consider, through the use of seed money or matching private contributions, multiplying the effect of the billions that American businesses annually spend on training.

THE (THIRD) WAVE OF THE FUTURE: MORE SELF-HELP

Third-wave programs aim to stretch the state's limited development funds by using state-sponsored organizations as catalysts to foster markets and encourage cooperation among private-sector firms in cultivating technologies and products. State assistance is targeted not to individual businesses but to clusters of firms acting together. Since these firms are expected to provide the bulk of financing for projects, funding is less of a problem for the state. Third-wave programs concentrate on maximizing the value the state receives for its investment by stressing outcome over process and relying on competition between providers to promote quality and reduce price.

Some 50 flexible manufacturing networks that could be called third wave now exist in 14 states. These networks consist of small and medium-sized firms that cooperatively learn new processes and systems in order to increase their competitiveness. Their collaborations range from sharing market information to training workers to joint purchases of machinery.

Among the best-known of these programs is Pennsylvania's Ben Franklin Partnership. The partnership is authorized to promote and encourage scientific research, development, and education in Pennsylvania with the goal of increasing employment in advanced technology industries. It does this through a collection of state-funded advanced technology centers that, according to an NCSL report, "provide technical and financial assistance to entrepreneurs, support educational and workskill training efforts for the jobs of the future, and fund joint private-public research-and-development projects." Partnership centers, staffed almost entirely by private businesspeople and academic representatives, may refer entrepreneurs to one of 30 business incubators where they can receive assistance in obtaining research grants and management consultation. In the first five years of its operation, the partnership reported it had assisted in the start-up of some 500 companies through the investment of \$110 million of state money matched by \$400 million in non-state funds.³

Third-wave efforts like Pennsylvania's take advantage of an intellectual infrastructure of schools and training centers that can support the research and expertise necessary to provide assistance. The

"Through their fiscal oversight role, legislators can clearly define what kind of training efforts they intend to promote, and thus avoid subsidizing firms for activities they would have undertaken anyway."

benefits that flow from a Ben Franklin-type network, however, can be fully realized only through the support and leadership of an engaged executive and a legislature willing to make a long-term commitment to economic growth.

STRETCHING AND ACCOUNTING FOR FUNDS

Tight budgets have made accountability in the use of state training funds a top priority for legislatures. This is especially true of second- and third-wave programs that require constant state involvement. Several states have capped the amounts that can be awarded to specific firms and educational institutions. California, Illinois, and Delaware have conditioned full payment in their second-wave efforts on the hiring of program graduates. Sometimes evaluations are conducted within a program's component parts—in Pennsylvania, annual appropriations for the Ben Franklin Partnership are allocated on a competitive basis among all partnership centers.

NEW PROGRAMS, OLD PROBLEM: FUNDING THE FUTURE

No matter how narrowly restricted or broadly ambitious state training and employment programs are, they run into the common problem of ensuring adequate funding on a year-to-year basis. Scarcity in an era of recessions and re-engineering is aggravated by the eternal vicissitudes of state politics, including changes in the executive office and shifting majorities in the legislature.

Most state training programs are funded from general revenues, but a few states have experimented with methods ranging from earmarking lottery revenues to permitting community college districts to sell revenue bonds to pay for training. Several states have established an innovative system to stretch their training funds while simultaneously reducing other expenses. In the belief that job training can eventually diminish the need for unemployment compensation, six states now use the unemployment insurance system as the collection mechanism for sustained financial support of their training efforts aimed at unemployed workers.

To comply with federal regulations that preclude the use of these funds for purposes other than the payment of benefits, these states reduce the unemployment insurance tax paid by employers and then impose a new employment training tax of

exactly the same amount on the same employers. The California Employment Training Panel, for example, is financed through earmarking the equivalent of 0.1 percent of payroll taxes (this amount was capped at \$55 million per year until 1989; revenues have since grown, and by 1991 ETP's budget was over \$150 million).⁴

CONCLUSION

As new economic development strategies emerge, they do not necessarily make older approaches obsolete. First-, second-, and third-wave programs all possess unique strengths and weaknesses, and states can use one or a combination of several in various ways at different times. South Carolina's success in attracting a new BMW plant in 1992 was the culmination of a first-wave strategy made possible by the state's 10-year-plus effort to upgrade its basic education system, resulting in an improved workforce more attractive to potential investors. There is no "one size fits all" recipe for success. A balanced assessment must evaluate a state's developmental goals in the context of the current and expected economic climate including infrastructure, education, and natural and fiscal resources.

By developing their workforces—the one non-transferable asset every state possesses—state-sponsored human resource development programs have become effective supplements to tax and fiscal incentives as tools of economic policy. In a world marked by intensifying competition that leaps across international boundaries, state training programs have become centerpieces of a larger development process that can make a critical difference in the economic health of workers, businesses, and the states they call home.

NOTES

1. William Fulton, "VW In Pennsylvania: The Tale Of The Rabbit That Got Away," *Governing*, November 1988, p. 33.
2. Fulton, *Ibid.*, p. 37.
3. Dan Pilcher, *Lessons Across the Pacific: U.S. and Japanese Initiatives in Economic Competitiveness* (Denver, Colo.: National Conference of State Legislatures, 1989).
4. Rosemary Batt and Paul Osterman, *A National Policy for Workplace Training: Lessons From State and Local Experiments* (Washington, D.C.: Economic Policy Institute, 1993).

The Federal Role in Human Resource Development

A NEW APPROACH: THE JOB TRAINING PARTNERSHIP ACT

Component parts of the Job Training Partnership Act target people with low incomes, welfare recipients, summer youth employment, and workers who have lost their jobs because of economic displacement such as a factory shutdown. Additional JTPA titles fund the Job Corps as well as programs for Native Americans, veterans and migrant workers. Despite its clearly delineated constituency, JTPA's \$4 billion yearly budget (little changed since its inception) allows it to reach only about 5 percent of the more than 40 million Americans eligible for its services.

Though it lacks funds to help all those qualified for its assistance, some observers nevertheless find value in the way JTPA encourages closer links between trainers and employers and promotes efficient service delivery through the use of objective program performance standards. In addition, state and local officials have used JTPA's coordination and accountability requirements as a blueprint for maximizing the impact of training and employment initiatives restricted by limited resources.

JTPA was designed to emphasize long-term training over public service employment while encouraging as much private involvement as possible. By statute, no more than 20 percent of JTPA funds may be used for administration, while no less than 50 percent goes for training purposes. CETA-style subsidies for employment are prohibited.

HOW JTPA WORKS

For administrative purposes, JTPA establishes one or more service delivery areas in every state, each overseen by a private industry council that is responsible for analyzing the skill needs of its area. Private industry councils can either conduct training themselves or award contracts to outside providers. Programs range from career counseling and job search assistance to on-the-job training. Private sector involvement is guaranteed by requiring a majority of the council's membership, as well as the chairperson, be representatives of private business.

JTPA emphasizes accountability in funding and service delivery by conditioning the provider's full payment on the placement of its trainees. The employment status of graduates is assessed 13 weeks after they leave the program. Adult assessments are based on employment and earnings; students are rated on educational enhancement and school completion. Because funding is so closely linked to job placement, amendments and policy clarifications have sought to discourage "creaming," a practice in which training is provided to a person who could have found work without JTPA assistance but whose subsequent employment chalks up a quick and inexpensive success for the program operator. Service delivery areas that meet performance standards may qualify for a funding bonus the following year; those that fall short risk having their funds cut. Governors are required to reorganize any service delivery area that falls short in two consecutive years.

SUMMARY

The telecommunications and computer revolution allows firms to conduct business from virtually anywhere in the world. Work can be brought to workers, freeing businesses to search worldwide for employees with appropriate skills. To remain competitive in this fluid marketplace, American workers must constantly develop new abilities and refine those they already possess.

Workers' wages rise hand-in-hand with the ability to rapidly assess and analyze problems and act independently to perform various assignments. Unfortunately, millions of job-seeking Americans lack the necessary education or experience to develop these skills. Some require instruction in the most fundamental workplace requirements (i.e., following directions, dressing for the job, arriving on time). Obstacles that have limited their employability also hinder their access to training. Though it is difficult to reach young people out of school, inner-city residents, minorities, low-income persons, the disabled, and workers who have been permanently displaced from their former jobs, the United States cannot afford to write off all this potential talent. The federal government allocates billions of dollars annually to states to provide "second-chance" assistance for the disadvantaged and displaced. The primary provider of this assistance is the Job Training Partnership Act (JTPA).

Though primarily financed by the federal government, JTPA requires state matches for some programs (such as coordination activities). Every state has a governor-designated executive agency that receives JTPA funds from the U.S. Department of Labor. The bulk of each state's allocation is dispersed by formula to service delivery areas to administer programs affecting youth and adult training,

summer youth employment, and displaced workers. Remaining funds are set aside to conduct older worker programs, coordinate education and training policies, and provide incentive grants to service delivery areas.

THE STATES AND JTPA

The Job Training Partnership Act says, "nothing in this Act shall be interpreted to preclude the enactment of state legislation providing for the implementation, consistent with the provisions of this Act, of the programs assisted under this Act." This language effectively permits the 36 states that require legislative authorization of any funds spent by executive

offices (including federal "pass-through" programs like JTPA) to place JTPA under the fiscal review of the state legislature.

In addition to their oversight role, legislators in several states have seats on their State Job Training Coordinating Councils. The coordinating council's role in planning for the entire state is similar to that performed by a private industry council

for a service delivery area. Members of the coordinating council are appointed by the governor in a ratio of 30 percent private industry representatives, 30 percent elected officials, 30 percent labor and community-based organization representatives, and 10 percent public at-large representatives. The coordinating council works with other executive-level departments to operate JTPA in conjunction with additional federally funded programs such as the Family Support Act, the Carl Perkins Vocational Education Act, the Adult Education Act and the Wagner-Peyser (Employment Service) Act.

TARGETING THOSE MOST IN NEED

In 1992, Congress passed the first major amendments to JTPA since the program's inception. These amendments were aimed at correcting some of the more widespread criticisms about JTPA, including heavy reliance on on-the-job training, creaming, and a lack of coordination with other service providers.

Though JTPA was designed in part to remedy the perceived shortcomings of CETA's public service employment, it soon generated complaints centered on abuses of on-the-job training. According to the General Accounting Office, some employers received subsidies amounting to half a trainee's pay for up to 90 days to teach low-skill occupations like washing cars and cleaning rugs. Other "trainees" were paid to learn jobs they had been performing for years. The 1992 amendments set a maximum duration for on-the-job training and restricted its use for out-of-school youth. Now, on-the-job training participants who are dropouts must eventually be enrolled in an education program leading to a diploma or its equivalent.

Another amendment encourages states to establish Human Resource Investment Councils charged with planning all JTPA, vocational education, adult education, employment service, food stamp training, and welfare training activities. This provision is not without limits, however. All program directors must approve establishment of the council, and vocational education directors can block the transfer of their duties to the councils. The amendment, nevertheless, represents Congress' recognition of the need for improved coordination of training and employment services, and it provides more latitude to states to attempt to bring this about.

FEDERAL FUNDING THROUGH THE YEARS

The federal government's long history of involvement with job training and employment assistance can be traced back to vocational education initiatives beginning in 1917. In the 1930s, the Civilian Conservation Corps and the Works Project Administration provided public service jobs for thousands in an era of scarce private employment. Even in the midst of the economic boom of the 1960s and early 1970s, the federal government assisted those at the margins of the workforce. The Manpower Development and Training Act, Economic Opportunity Act, and Emergency Employment Act addressed the work and training needs of the displaced and disadvantaged.

In 1973 several of these programs were folded together to form the Comprehensive Employment and Training Act (CETA). CETA began as a relatively small on-the-job training program that grew rapidly in the wake of the 1974 recession. A public employment title was added, funding was increased, and at its peak in 1978 CETA employed some 750,000 people. With size came criticism, and by 1980 CETA was being faulted for both its cost (as much as \$11 billion a year) and its emphasis on public service employment that disappeared when federal funds dried up. Other critics noted a lack of accountability arising from a distribution system that completely bypassed states as it channeled federal funds to localities. In response to this situation, the incoming Reagan administration advocated a training system that placed less emphasis on public service employment and focused more on skill development through private sector involvement. This philosophy led to the replacement of CETA with the Job Training Partnership Act (JTPA) of 1982, currently the largest single federal job training program.

ADDITIONAL FEDERAL EMPLOYMENT AND TRAINING PROGRAMS

The federal government funds more than 100 training and assistance programs. Its role in human resource development is constantly evolving to reflect the needs of a changing workplace (though as is seen in chapter 7, this evolution is not always orderly).

Because they have similar services and overlapping client bases, several welfare and training programs have become closely associated with JTPA. These include the Job Opportunities and Basic Skills (JOBS) program, the Carl Perkins Vocational Education Act, the Job Corps, the Wagner-Peyser (Employment Service) Act, the National Literacy Act, and the Adult Education Act.

JOB OPPORTUNITIES AND BASIC SKILLS FOR AFDC RECIPIENTS

Established by the Family Support Act of 1988, JOBS is targeted to recipients of Aid To Families With Dependent Children (AFDC) who previously received only income maintenance support. The goal of JOBS is to provide welfare recipients with sufficient literacy, remedial education, and employment skills to obtain work in their local labor market.

In the past, AFDC recipients, while often technically eligible for JTPA, were not considered primary beneficiaries of the training program. The implementation of JOBS, along with recent JTPA amendments that emphasize serving clients with "multiple barriers to employment" (defined by socioeconomic, racial, sexual, and disability criteria), is designed to bring more AFDC recipients within the reach of federal education and training efforts.

To increase efficiency and serve more of the affected population, states are required to link JOBS services with those of the existing network of JTPA delivery organizations wherever possible. State welfare offices must work with state education offices and those agencies responsible for job training efforts to coordinate the delivery of services.

THE CARL PERKINS ACT

The Carl Perkins Vocational and Applied Technology Education Act steers vocational and technology-related educational assistance to high school

and post-secondary students as well as special populations including the economically disadvantaged, handicapped, criminal offenders, and persons with limited proficiency in English. The 1990 reauthorization of the act modified the funding formula to require at least 70 percent of funds be directed to educational organizations that primarily serve the economically disadvantaged.

Under the Perkins Act, a committee of practitioners in each state develops performance standards that must correspond to those of JTPA and JOBS. The committee's recommendations are submitted to the state board of education after consultation with state and local education agencies, private industry councils, local boards of education, higher education institutions, and parents. Schools and education agencies that apply for Perkins funds must coordinate their efforts with JTPA to avoid duplication and must allow the local private industry council to review their programs. The Perkins Act empowers the state job training coordinating council to review state vocational education plans.

The Perkins Act also provides grants for secondary and post-secondary technical preparation, usually combining classroom learning with on-the-job training and youth apprenticeships. States are allocated funds for this purpose that they distribute to school and college consortia.

JOB CORPS

Since its creation some 30 years ago, the Job Corps has served more than 1.5 million disadvantaged 16-to-24 year olds. Currently some 70,000 corpsmembers live full-time in a supervised group setting at one of 108 Job Corps centers nationwide. Here, they participate in an intensive program of basic education, vocational training, and health and dental care. Within the first two weeks of enrollment, corpsmembers are asked to choose from a variety of vocational training programs offered by their center. At the end of the eight-month training period, more than 70 percent are placed in meaningful jobs or continue their education.

Most Job Corps centers are operated by private contractors who are selected through a competitive bidding system. These contractors must maintain exemplary placement records to keep their contracts. The building trades and Home Builders Institute act as subcontractors at most sites to provide pre-apprenticeship training in construction

trades. Under the provisions of the Job Corps "50-50" proposal, the number of such sites would be increased by 50 percent to serve 50 percent more youths by the year 2000.

Criticism of the Job Corps has centered on its expense, the greatest of any federal training program. The average training slot costs slightly over \$20,000 per year (compared to \$3,700 for JTPA). Program supporters, however, point to studies that indicate a long-term return of \$1.46 for every \$1 invested. This return includes taxes paid by employed program graduates as well as reduced welfare and prison expenditures. Job Corps advocates contend it is unfair to compare the program's costs with JTPA, since Job Corps clients are often more disadvantaged, incur room and board expenses, and receive job search assistance and on-the-job training that is far more intensive (and therefore more expensive) than what is provided in JTPA.

THE WAGNER-PEYSER ACT

The Wagner-Peyser Act is among the oldest existing federal programs dedicated to training and employment. Wagner-Peyser established the Employment Service, a nationwide network of job search and counseling centers. Under Title V of JTPA, the employment service was altered to match the structure of the service delivery areas. This allows the employment service to coordinate more closely with private industry councils; in fact, employment service offices are required to submit an annual Job Service plan to their local private industry council. As will be discussed in chapter 7, some states have attempted to use their high-capacity, geographically widespread employment service networks as foundations for consolidated training and assistance systems.

THE ADULT EDUCATION ACT

The Adult Education Act (AEA) is the primary federal adult literacy program. The act distributes grants to states on a formula basis focusing on the homeless and people having English as a second language. Guidelines are broadly drawn to allow AEA funds to be used in conjunction with JTPA and JOBS monies to develop materials, provide staff assistance and technical assistance, and target special efforts to designated population groups. Since the passage of the National Literacy Act,

performance measures and evaluation now apply to all federally-funded AEA programs.

CONCLUSION

In an age of declining revenue and expanding demand for services, states are searching far and wide for funding to operate training and assistance activities. JTPA and its affiliated programs provide nearly \$8 billion to train disadvantaged young people, adults, and displaced workers. Though insufficient to reach every member of these targeted groups, this assistance can make a difference for some. Requirements to reach hard-to-serve populations help disadvantaged members of the potential workforce who might otherwise be overlooked. Uniform performance standards stress the delivery of meaningful services. Coordination mandates exercised through state job training coordinating councils can act as catalysts to help pull together the disparate parts of the training network. In this light it is perhaps most helpful to view JTPA not as a magic bullet that failed, but rather as a step toward the goal of more effective service delivery and interagency cooperation.

School-to-Work Lessons From Germany and Japan

A COMPARISON OF SCHOOL-TO-WORK SYSTEMS

Relying as it does on basic education, federal and state second-chance programs, and narrowly concentrated apprenticeships, the school-to-work transition "system" in most of the United States differs from the real systems of two of our major economic competitors, Germany and Japan. In these countries employers, national, and regional governments have clearly structured roles to play in education, training, and placement.

In assigning many of these duties to employers, these nations have created unique frameworks and methods for training entry-level workers. German employers, unions, and states provide training to high school youth through a two-pronged program of publicly funded school instruction and paid apprenticeship in private firms known as the dual system. Japanese firms are responsible for developing workplace skills in recruits who have learned basic reading, math and reasoning abilities in the country's public schools (see table 4).

THE GERMAN DUAL SYSTEM

In Germany, a centuries-old national consensus stresses the importance of training and education to the economic success of the nation. This agreement is manifested in the dual system that aims to make every person who enters the labor market occupationally competent and qualified, either as a skilled worker or as a graduate of an institution of higher education.

EARLY CAREER CHOICES

Beginning at age 10, young Germans progress along a variety of curriculum paths (based on grades and teacher recommendations) preparing them for university or vocational careers. Approximately 20 percent of the students follow the grammar school (Gymnasium) path, which typically leads to a professional degree through a university. The majority of the remaining students (two-thirds of all secondary school graduates) go on to the main secondary school (Hauptschule) or intermediate school (Realschule) and at the age of 15 or 16 enroll in the dual system.

The dual system provides comprehensive apprenticeships to young people having little or no previous employment experience. After completing their training and a final exam, the apprentices become journeymen-whose credentials are recognized throughout Germany. Some 75 percent of German youth between the ages of 16 and 18 (approximately 1.8 million young people per year) participate in the dual system at a cost to employers of some \$30 billion. This level of investment is particularly impressive since there is no legal requirement forcing employers to provide apprenticeships. The voluntary commitment to training reflects the German work ethic and the desire to develop and maintain a high-quality workforce.

SUMMARY

The 50 percent of American high school graduates who do not go on to college typically enter the workplace with little or no formal preparation. These young people have been called the "forgotten half." Their underdeveloped skills have reduced the ability of the United States to compete internationally.

By contrast, the central governments of Germany and Japan coordinate the training and workplace entry of students and require employers to shoulder a major share of the responsibility for training. Germany routinely produces students who are occupationally qualified. Japanese employers provide specialized training to well-rounded, literate graduates.

Their focused, systematic approach is far removed from that used in the United States. Here, responsibility for funding and delivery of training and placement programs is diffused among federal, state, and local offices, and the roles of government and employer are not always clearly defined. Despite occasional success, America's decentralized approach falls short in promoting cooperation and consistency in organization, delivery, and effectiveness of programs aimed at the forgotten half.

HOW GERMANY'S SYSTEM OPERATES

Students are responsible for their own placement in the dual system and are free to contract with the employer of their choice in any of nearly

400 apprenticed occupations. Once a student has contracted with a firm, the employer-financed apprenticeship lasts up to three years and provides a weekly stipend of \$150 to \$250. The classroom portion of the system is administered and financed by Land (state) governments operating under federal guidelines. This system ensures that students trained in a wide variety of shops under different conditions maintain consistent nationwide standards of quality. William Nothdurft, author of the training study "SchoolWorks," says public vocational education "is the essential element which assures that credentials can be depended upon to signify skill."¹

SCHOOL-TO-WORK SYSTEMS IN JAPAN AND GERMANY

JAPAN'S SYSTEM

- Education through the secondary level focuses on establishing a strong base in the liberal arts and in socialization skills.
- Job-specific skills are acquired once an individual enters the workforce.
 - Large firms assume responsibility for the costs and training of new employees and retraining of current employees.
 - Smaller firms also train their workers but require state financial assistance to do so.
- Ministry of Labor provides employers with guidance and information regarding labor market trends.

GERMANY'S SYSTEM

- Primary system for vocational education and training is the "dual system."
- Participants enter into a contractual agreement with the employer, who provides on-site training. Students are released several days each week to attend classes at a vocational training institution.
- Focus of training is on job-specific skills and socialization skills for entering the workforce.
- Employers bear 80 percent of the total cost of apprenticeship training. Germany's state governments finance the remaining 20 percent and administer the day-release colleges.
- The training syllabus is determined by employers and union representatives but is approved by the federal government.

Table 4

GERMAN FIRMS' CONTRIBUTION

Apprentices attend class an average of one or two days per week. The balance of their time is spent on the job with their employer. The materials, instructors, buildings, and testing equipment used in these vocational schools are publicly funded. Private manufacturers typically supply products for students to work on. Nothdurft cites a case in which BMW donated a \$70,000 car to a Munich automotive school. Such cooperation is the hallmark of the dual system.

This cooperation also extends to the area of labor relations. Unions and businesses both agree that individual firms, not government, should take the lead in training apprentices. While there is some debate about the scope of the dual system (unions argue that all employers should be required to contribute to a national training fund which would make apprenticeships more in the interest of every firm), there is no dispute over the need for the system itself.

APPRENTICESHIPS

Upon completion of their training and exams, apprentices are accredited as journeymen. After three or four more years of study, passage of a final exam confers the rank of "master" and allows a worker to go into business for himself and to train others. This represents the highest level of German vocational achievement.

Apprentices often remain with their trainers' firms upon graduation, thereby allowing employers to recoup the costs of the learning process. This is not a requirement, though, and one criticism of the dual system is that there is little to prevent a small employer who has spent thousands of marks on training from losing a student to a larger firm when the apprenticeship is completed.

The dual system's great strength lies in its ability to systematically provide workplace-based training to build the experience of apprentices. This process creates workers who can produce at a high-quality level upon entry into the workforce, eliminating arduous work searches and on-the-job orientation. As Nothdurft points out in "SchoolWorks," low German youth unemployment figures stand in sharp contrast to the American problem symbolized by the forgotten half. The dual system represents a centuries-old commitment on the part of German employers to develop, at great cost to themselves, a steady stream of highly skilled workers.

REFINING THE DUAL SYSTEM

More recent developments in the administration of the dual system include the introduction of "inter-firm" and "out-of-firm" training centers. Inter-firm training takes place in centers run jointly by a number of smaller firms that pool their efforts to comply with comprehensive federal training regulations. Students sign apprenticeship contracts with individual firms to receive on-the-job

experience, but also attend training sessions at the center.

Out-of-firm centers provide full-time training in a facility specifically established for this purpose. In a departure from German tradition, students are under contract to the center, not to an individual employer.

Dual system critics fault vocational/professional "tracking" and what they see as a potentially harmful routing of children into relatively inflexible career paths at an early age. To address this problem, "bridges" have been devised that allow students to periodically move between vocational and professional curriculum paths. Also, a Basic Vocational Training Year (Berufsgrundbildungsjahr) has been introduced to allow more in-depth exposure to general career-based fields of study (engineering, economics, chemistry, etc.) for apprenticeship-seeking students who might be unsure of their options. The "narrow but deep" nature of training is also viewed as a problem by some, since it makes career switching more difficult. To remedy this, some German educators are suggesting that students attend an extra day of vocational school to acquire more generalized skills.

Far from being a liability, supporters feel the depth of training received by apprentices under the dual system is a fundamental benefit. According to them, the best testimonial to the success of the dual system is the German reputation for high quality workmanship that has been promoted and passed on to succeeding generations.

TRAINING AND PLACEMENT IN JAPAN

The German training and placement system is "vocationalist" in the sense that it thoroughly prepares young people to work in a specific occupation. Japan practices a more "generalist" style of preparation. There, the role of the primary and secondary school system is to provide a fundamentally strong general education to prepare potential workers for employment anywhere in the national economy.

EMPHASIS ON BASICS

Japanese compulsory education is not job-specific. Students are thoroughly exposed to the "Three R's," history, science, art, music, foreign languages, and training to socialize with other members of society. The strength of the Japanese

system is its ability to produce people who have a sound grasp of fundamentals, along with functional skills such as concentration, compliance, the ability to work with others, motivation, self-reliance, and a capacity to adopt leadership roles. "We don't believe you can learn 30 years' work in two years," says one Japanese employer. "We want people who can think, learn and adapt."

When students graduate from high school or college, it falls upon employers to provide these "blank slates" with training in specific job areas. The scope of this training varies from firm to firm. Major corporations administer large private schools, while smaller companies use on-the-job training to prepare their employees.

CONNECTING SCHOOL AND WORK

Compulsory education ends at age 15, but approximately 95 percent of Japanese students (including those not college-bound) opt to continue their academic careers. Choices include senior high schools; special training schools which are usually private and employer-influenced; and technical colleges, which are usually public. Faced with the most rapidly aging population in the world, Japanese employers compete avidly for the graduates of these secondary education programs (whom they refer to as "golden eggs").

Students seeking placement in Japanese high schools also face severe competition, since graduation from the "right" school practically guarantees employment in a leading firm. Though Japanese students have the right to attend any high school, their admission is greatly dependent on test scores, previous academic performance, and teacher recommendations.

Students proceed along college-bound or vocational study courses, depending on the high school they attend. The first-year curriculum is basically the same for both courses, but vocational students spend about one-third of their study time the last two years in vocational classes. These vocational-course seniors make up about 40 percent of the students who are employed upon graduation from high school. College-bound seniors make up nearly one-third of the remaining graduates, while 12 percent attend postsecondary courses in special training schools, and 14 percent take other vocational courses in "miscellaneous schools."

"Germany and Japan have greatly eliminated the problem that continues to plague the United States: how to provide an effective transition from school to work for noncollege-bound youth—the forgotten half."

PLACING GRADUATES IN THE WORKPLACE: THE PESO SYSTEM

One of the defining elements of the Japanese educational process is the Public Employment Security Offices (PESO) system through which vocational high school seniors find employment. Administered by the Ministry of Labor, the PESO system acts as a gateway to employment that regulates students' entrance into the labor market and provides employers with extensive knowledge of students' abilities and backgrounds. All non-college-bound high school students must list their availability for employment with their school counselors; any employer wishing to hire exiting seniors must consult these counselors. The effect of PESO requirements is to make counselors and teachers powerful players in the Japanese system.

Reputation plays a large part on both sides of the PESO selection process, since employers are attracted to a school by the work records of its alumni, and students base much of their decision upon what they have heard about the recruiting companies. This symbiotic relationship between schools and businesses helps explain the intense competition among Japanese students to get into what are considered the most prestigious high schools. This system accounts for the observation that American students take tests to get out of school, whereas Japanese students take tests to get in.

THE PESO PROCESS

Under the PESO process, students consult job notices posted in high schools by local employers. These notices, reviewed by PESO for compliance with applicable standards, describe the job, the company and the conditions of employment. Japanese law prohibits contact between recruiters and students at this point, so company representatives must rely on the judgments of school officials when determining who will be offered employment. If more than one student applies for a vacancy, the school staff decides who will test first for the position. In a real sense, schools determine which students employers will be allowed to recruit.

By August of a student's senior year, the school's internal selection process is nearly complete. This consists primarily of preparing students in skills such as organizing and writing resumes and interviewing. In September, students submit job applications in response to company listings at their school. In

October, company entrance tests are administered, and by November most students are offered employment. Schools may continue to assist students until May, two months after graduation, but after this they are forbidden to provide further assistance, and students must continue the job search on their own.

According to the U.S. Department of Education, "the [Japanese] employment process serves as both a learning and motivational experience for secondary school students. It provides a potent signal to all that by remaining within the school system the student has a better chance to get a job upon completion of his or her studies."² This signal is reinforced by the fact that students who choose not to take part in the PESO process will almost certainly receive less satisfactory positions at lower wages.

To a degree the recruitment of Japanese high school seniors resembles the process whereby American employers seek out the graduates of prestigious law and business schools. The major difference is PESO devotes the kind of time and attention typically reserved for elite college graduates in the United States to students entering the workforce straight out of high school.

THE ROLE OF JAPANESE EMPLOYERS IN TRAINING

It is the responsibility of Japanese employers to provide their recruits with training in specific job areas. The scope of this instruction varies from firm to firm. As stated earlier, major corporations administer large private schools, while smaller companies rely on on-the-job training to prepare their employees.

Training in Japan is an integral part of the employment process in large firms. In Japan, 30 percent of the labor market is hired by companies of 300 or more workers with "lifetime" employment policies. It is a systematic, rigid pattern in which the national government assists employers and employees with grants and loans during the training period, but takes no part in the actual educational process. Government involvement is usually limited to a waiver of repayment upon commencement of employment. In Japan, as in Germany, training is considered part of a firm's national duty.

Students who go to work for smaller firms are trained by private cooperative schools that are

somewhat comparable to American community colleges. These schools allow small companies to obtain qualified workers without the high costs of training incurred by large corporations. This cost control is important, for the demographic shift toward an older population is forcing smaller firms to compete with larger firms for new workers. Such competition forces small firms to match benefits like lifetime employment and training. Large firms, in effect, set employment patterns for an entire industry.

CONCLUSION

Germany and Japan have implemented comprehensive education and training systems to help them become leading economic powers. Programs like the dual system and PESO regulate the flow of workers into the job market. Germany and Japan have greatly eliminated the problem that continues to plague the United States: how to provide an effective transition from school to work for noncollege-bound youth—the forgotten half.

Both nations have made systematic commitments to training rarely seen in the United States. Few American companies elevate trainers to the elite level they occupy in Japanese firms. Many Japanese instructors are Ph.Ds from Tokyo University, typically the highest-paid, most respected employees in their plant. For their part, German manufacturers donate costly modern equipment for apprentices and shoulder the expensive, multiyear burden of the dual system.

Employers in Japan and Germany have embraced the lesson that a systematic commitment is essential at every rung of the employment ladder—education, hiring, training, retraining—if the competitive abilities of firms and their workers are to be maximized.

NOTES

1 William E. Nothdurft, *SchoolWorks: Reinventing Public Schools to Create the Workforce of the Future* (Washington, D.C.: The Brookings Institution, 1989), p. 36.

2. U.S. Department of Education, *Japanese Education Today* (Washington, D.C.: Office of Educational Research and Improvement, 1987), p. 59.

From Coordination to Integration: Putting Clients First

A PATCHWORK "SYSTEM" THAT NEEDS MENDING

What most people refer to as the American human resource development system is not really systematic. In reality, gaping holes exist beside multilayered patches of services and programs. In order to better serve clients, program delivery must be restructured to meet existing shortfalls while eliminating wasteful duplication. Unfortunately, efforts to coordinate the human resource development system have themselves become obstacles to effective service delivery. Coordination has earned a reputation as "an unnatural act between nonconsenting adults" due to barriers that include

- bureaucratic territoriality ("turf battles");
- conflicting federal and state regulations; and
- differences in how agencies process clients, contract for services, and report results.

Technical barriers to coordination are magnified by the sheer size of the state and federal training enterprise. At the federal level, the General Accounting Office (GAO) has found that 14 separate federal departments and agencies operate 125 programs spending \$16.3 billion to train and assist adults and out-of-school youth¹ (see table 5). Most of these programs target a clearly defined subgroup of the overall population (i.e., economically or socially disadvantaged, youth, people with physical or mental disabilities, displaced workers). According to the GAO, however, the large number of agencies and initiatives indicates a lack of coordination, since "many programs provide similar services to the same target population."

Federally funded, locally administered programs (such as JTPA) pass on the problem to the state and local levels. The Commission on the Skills of the American Workforce reported that "in Michigan. . . \$800 million in combined annual state and federal funds is scattered across 70 separate training and education funding programs, administered by nine different departments of state government, and offered by innumerable local providers. In New York, 19 different units of state government distribute \$725 million in job training services through more than 85 different programs."² Even a relatively small state like Utah has six separate agencies overseeing 26 different programs spending some \$78 million a year (including \$65 million in federal funds).

One obvious approach, simply eliminating redundant programs, does not guarantee effective service delivery, just as the absence of competition does not necessarily indicate the presence of coordination. The National Center for Research in Vocational Education has reported "local administrators have a general dislike of competition because it places all

SUMMARY

In the spring of 1992, Utah's legislative audit bureau examined the state's network of job training and placement programs. The audit report painted a portrait of a disjointed bureaucracy lacking a systematic approach to the problems it was designed to address. Various agencies maintained dozens of programs that largely mirrored each other's clientele and purpose. Client intake was duplicated. Oversight was scattered among many agencies and legislative committees. Programs were evaluated in isolation from each other. For their part, legislative committees contributed to the disarray by not consulting other committees about new plans they approved. The overall result, according to the audit bureau, was "a fragmented job training system for (Utah's) disadvantaged and dislocated population."

Utah's experience is by no means unique. Today a virtual constellation of state and federal human resource development programs dedicated to educating, training, and employing both present and future workforces are spread across a frequently overlapping client base (see figure 5). This piecemeal approach limits the number of clients that can be served and is increasingly hard to justify in an age of austere state budgets. Under these circumstances, responsive agencies must strive for improvement leading to more or better service for the same money or the same level and quality of service for less money. While this goal is easier said than done, coordination of program intake, evaluation, and service delivery can provide states with more and better service for the limited funds currently available. Successful coordination is the first necessary step toward the more ambitious goal of integrating programs to provide a seamless approach to education, training, and employment.

Typical State Service Delivery Network for Employment and Training Programs

CURRENT SYSTEM: STATE VIEW

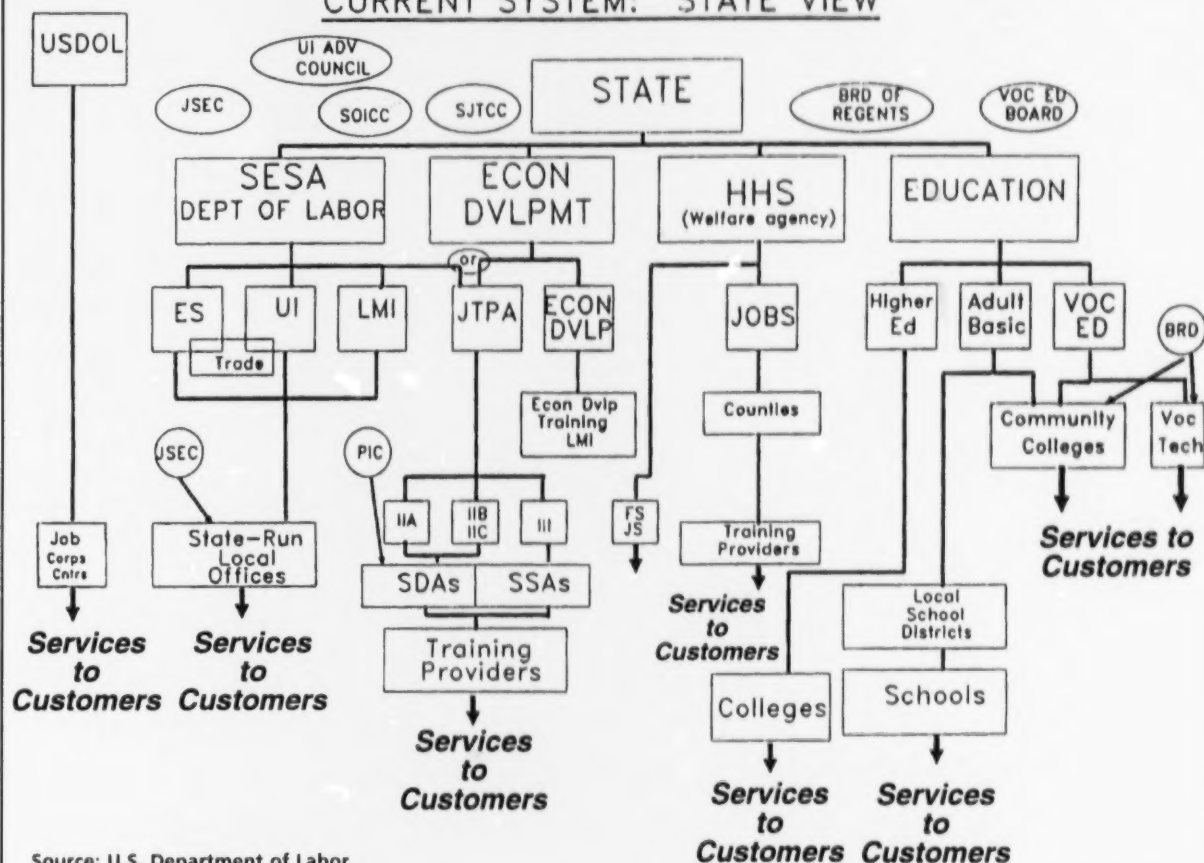


Figure 5

education and training institutions in a bad light" leading to "squabbling among programs (that) makes it appear that institutions are more interested in their own size and prominence than delivering high-quality education and training." ³ To prevent this unflattering appearance these institutions may cede certain operations to each other, a "coordinating" activity owing more to bureaucratic self-interest than any overriding concern for clients.

THE IDEAL: PUTTING CLIENTS FIRST

Coordination should not be viewed as an end in itself, but rather a tool to improve the delivery of services to those who seek them. Though virtually everyone agrees on the desirability of a client-centered approach, reaching this goal is not as simple as it sounds. Training and welfare programs, whether public or private, can become afflicted by the problems that confront any mature bur-

eaucracy—namely, a shift in focus from problem-solving to process. The challenge for public policymakers (including state legislators) is to refocus the process to put clients at the center of the service delivery picture.

ONE STOP; NO WRONG DOORS

In an attempt to achieve greater efficiency in the delivery of human resource development services, some states and localities have explored versions of one-stop shopping. This is the popular term for the practice of locating representatives of all employment, training, and welfare assistance agencies under one roof or in one office. A defining feature of the system is the use of standard intake forms and assessment processes to eliminate redundant paperwork and effort for administrators and their clients.

Drawbacks to this approach include logistical

difficulties arising from locating a large number of agencies and employees in the same office; increased need for expensive computerization and other automation to share information and handle increasing case loads; and privacy requirements that may preclude agencies sharing information with each other.

Rather than locating offices in close proximity, some states are moving toward greater data sharing within current organizational structures, a practice known as "no wrong door." New York's Human Investment Subcabinet describes its GATEWAY program as a system in which "agencies move information, rather than customers, from place to place." According to the subcabinet, one advantage of the initiative is that "there are no new funds allocated for GATEWAY. All activities are supported by existing program dollars. Limited state and federal funds have been made available to GATEWAY communities to pay for computer system hook-ups and staff training." GATEWAY provides a model for fiscally strapped jurisdictions seeking to promote voluntary cooperation among local and state training and assistance offices to share information and resources, and to market services.

REACHING OUT TO CLIENTS

A few states have experimented with variations on the one-stop theme by locating job training and referral services at the point where unemployed workers first make contact with the unemployment insurance (UI) system. In South Dakota and Washington state, unemployment insurance, employment service, dislocated worker, and trade adjustment assistance facilities have been located in Job Service offices statewide. This arrangement takes advantage of the UI system's capacity to screen large numbers of applicants, making it possible to more rapidly place the 10 to 20 percent of workers eligible for employment service or dislocated worker programs.⁴

THE IMPORTANCE OF COMMUNICATION

Today, most people searching for training and assistance services experience something far removed from one-stop or no-wrong-door shopping. Their movement through the system can be likened to a car on an assembly line that stops at various points to undergo a single, limited procedure before traveling to the next station. In a similar manner, clients seek out and interact with agencies

Federal Employment and Training Programs for Targeted Groups for Year 1991

Services Targeted Groups	Counseling & Assessment	Remedial/Basic Skills Training	Classroom Occupational Training	On-the-Job Training	Job Search Training	Job Placement Training	Job Creation
Youth: Under 22 Years Old	37	36	27	17	17	23	6
Physical or Mental Disabilities	29	21	21	16	16	22	7
Educationally Disadvantaged	10	22	9	5	5	8	4
Unemployed or Dislocated Workers	20	12	18	13	14	15	18
Veterans	15	11	8	7	7	9	4
Ethnic/Racial Groups and Women	18	8	14	10	8	13	8
Migrant or Seasonal Farm Workers	8	9	5	3	4	6	3
Economically Disadvantaged	40	34	37	23	26	29	27

Source: National Youth Employment Coalition, *Making Sense of Federal Job Training Policy* (Washington, D.C., 1992).

Table 5

that have a narrowly defined repertoire of options to prescribe. Administrators have little recourse but to use the one tool available to them to try to fit clients to their program, whether or not it is appropriate. Since agencies are most familiar with their own processes, they are hard-pressed to refer clients to alternate sources of help. Clients often possess scant knowledge of what programs are available to them, and subsequently waste time and energy repeatedly undergoing

the intake and assessment process (see sidebar).

A CASE STUDY: LOST IN THE SYSTEM

In the mid-1980s, the Illinois Commission on Intergovernmental Cooperation performed one of the first studies examining the difficulties faced by those seeking training and welfare assistance. The commission report followed one client, a welfare recipient with five children, as she received an information letter from the Department of Public Aid, met with a caseworker, and eventually entered one of the department's job search programs. The program required an eight-week search before any training could take place in order to allow the caseworker to develop an employment plan. The recipient, frustrated with this process, contacted the Department of Employment Services, which eventually referred her to a local JTPA office. This office placed her in an administrative assistant training course at a local business school.

She notified her public aid caseworker of her enrollment and was told to stay in touch. Since she did not require support services, public aid did not contact her for another six months. She had difficulty with her studies, became ill, and soon dropped out of the program. As the commission report noted, no examination was conducted by the Department of Public Aid, Department of Employment Services, JTPA, or the business school to determine her ability to read, write, or communicate. Three different agencies provided similar services, and each separately documented her intake and progress. "No agency informed her of career options," the report concluded, and "she did not receive appropriate labor market information relative to her career goal or entry level wage information about her training choice."⁵

committee without consulting other agencies and their legislative committees." Another roadblock to coordination is the dispersal of accountability—in Utah, five separate appropriations subcommittees oversee the state's 26 employment and training programs.

Lapses in communication between committees during the drafting and enactment of legislation have contributed to the wide range of eligibility standards employed by training and assistance

programs. According to the National Commission for Employment Policy, "the criteria for eligibility in an individual program are related in some rational way to the purpose of the individual program. Considered as a system, however, the differences in eligibility criteria for the different programs multiply administrative burdens upon both recipients and program staff." Uniform regulations would mean less duplication of intake and processing, simplifying the application process for clients. Greater standardization would also make it easier for legislators to oversee program performance, since less effort would be needed to interpret the missions and procedures of various agencies.

On one hand, Congress has created a maze of contradictory and duplicative programs. On the other, it has moved to encourage coordination by requiring that federally funded employment and training programs cooperate with other state and local systems. Unfortunately, Congress has not revealed exactly how this ought to be done. The JTPA requires that state and local operations be synchronized as much as possible with existing state programs providing human resource development services. In most states, though, the effect of these requirements has been to emphasize collaborative planning in the form of joint consultation, shared board members, and information exchange rather than collaborative service delivery. By not filtering down to the level where services are actually delivered, federal guidelines themselves do not guarantee programs will interact more efficiently.

In a further effort to encourage federal coordination mandates, the JTPA earmarks 8 percent of each state's formula-based allocation to be used to "facilitate coordination of education and training services." This addresses the critical need to make program administrators more aware of each other's existence and mission, but the flexibility of the definition combined with a lack of federal oversight means that the 8 percent money has not always gone to coordinate activities. According to the National Council for Research on Vocational Education, states and localities have used 8 percent funds for economic development, welfare-to-work programs, concealing administrative expenses, and providing extra funding to service providers.

On a more positive note, the structure of JTPA lends itself to localized initiatives that promote coordination. One of the simplest and most

OBSTACLES TO COORDINATION

Though agencies are criticized for wearing bureaucratic blinders, they should not receive all the blame for the current system's shortcomings. In most cases they are simply operating under rules and regulations written by Congress, governors, agency directors, or state legislatures to address a particular problem. The Utah legislative audit noted that "new employment and training programs have been developed by one agency and approved by its legislative oversight com-

effective methods for achieving cooperation and reducing duplication is for program directors to talk with one another. The private industry councils of JTPA select training providers and finance their efforts, giving them leverage to bring together a variety of local agencies to develop welfare-to-work programs. Additionally, as the National Council for Research on Vocational Education has pointed out, "brokering agencies (like private industry councils) can create new forms of training from individual components of the current education and training system."

BEYOND COORDINATION TO INTEGRATION

Stagnant revenues combined with a spiraling demand for services have made restructuring of services essential if education and training programs are to fulfill their assigned missions. Unfortunately, despite its useful aspects, service delivery coordination is subject to the limitations of inter-departmental bureaucracy. Further development of client-centered service requires programs to cross agency boundaries and operate as component parts of a larger system. This process of integration will bring those who administer and deliver training services into closer contact.

THE SUPER COUNCIL APPROACH

A few states have moved toward system integration through the establishment of "super councils." Combining the state job training coordinating councils of JTPA with advisory boards that oversee federal programs such as Perkins Vocational Education, Wagner-Peyser employment services, and Adult Education, these councils bring together cabinet members, program directors and other high-ranking officials to outline state training activities and monitor service delivery.

In 1990, New Jersey became the first state to implement such a super council through legislation. In addition to developing policy, evaluating programs, and providing bureaucratically neutral meeting ground for agencies, the State Employment and Training Commission (SETC) exercises responsibility over New Jersey's implementation of federal programs including JTPA, Perkins, Wagner-Peyser, and the JOBS welfare-to-work system, along with a variety of state programs. In the SETC's first report to the governor, it recommended reducing the departments overseeing training programs from

six to three and consolidating from 64 to 15 the existing JTPA, vocational education, and welfare training programs. The SETC concluded this consolidation would save some \$6 million over 18 months.

Two features increase the council's authority and protect it from bureaucratic battles. First, the SETC was constituted as an independent body with its own staff and director, unattached to any other cabinet department, and reporting directly to the governor. Second, the SETC was established by statutory authority. Enactment by legislative statute carries the weight of law, providing a degree of continuity unavailable to programs established by executive order that risk being rescinded by succeeding governors eager to place their own imprints on state policy.

Just such a situation occurred in Michigan in 1991. The state had spent several years preparing a Michigan Opportunity System that featured credit card-style access to a central data bank to produce an instant record of a client's education, training history, and eligibility for services. In 1991, a new administration, citing budget pressures, canceled the Opportunity System before it could be implemented. The ripple effects of this decision were widespread. One Michigan service delivery area had given up plans to automate its data systems in order to accept trial installation of Opportunity System computers. The new equipment was removed by the state, leaving the service delivery area without any electronic data processing capacity.⁶

Recent congressional action may facilitate steps toward integration, at least at the upper levels of state planning. Previously, states needed waivers from the federal government to establish New Jersey-style super councils. In the future, such efforts may become more common due to JTPA amendments that allow (but do not require) states to convert their existing job training coordinating councils into human resource investment councils with expanded responsibilities for bringing agencies together. This would include central planning for JTPA, Wagner-Peyser, vocational and adult education, along with food stamp and welfare training programs. Additional amendments require state coordination and special services plans to show how service delivery areas avoid duplicating JTPA and JOBS activities.

CONCLUSION

The main point to remember about coordination and integration is that they are means to a larger purpose, not ends in themselves. That purpose is providing useful education, training, and employment assistance to clients. Many state and federal agencies supply such services, but their delivery often overlaps in terms of mission and clientele. An integrated system to provide service access from a number of entry points is needed because it is unrealistic to expect people to confront this network of programs and know exactly what help they need and where they need to go to receive it. Clients cannot be expected to improve their employability unless the assistance they receive is timely, relevant, and complementary to other help they are receiving.

Of the many elements involved in more effective service delivery—funding, facilities, personnel, programs—communication is the cornerstone to building a successful client-centered system. Legislators must talk with legislators, agencies with agencies, agencies with clients. This can be written into statute or done in an ad hoc fashion through meetings or personal contacts, but service providers must know what others in the field are doing. Only when the full range of federal and state training efforts is made evident to everyone and all roles are clarified will it be possible to create a fully integrated system that achieves the state's paramount goal—the meaningful delivery of human resource development services to everyone who needs them.

NOTES

1. *Multiple Employment Systems*, GAO/HRD-92-39R (Washington, D.C.: U.S. General Accounting Office, 1992), p. 13.
2. Commission on the Skills of the American Workforce, *America's Choice: high skills or low wages?* (Rochester, N.Y.: National Center on Education and the Economy, June 1990), p. 54.
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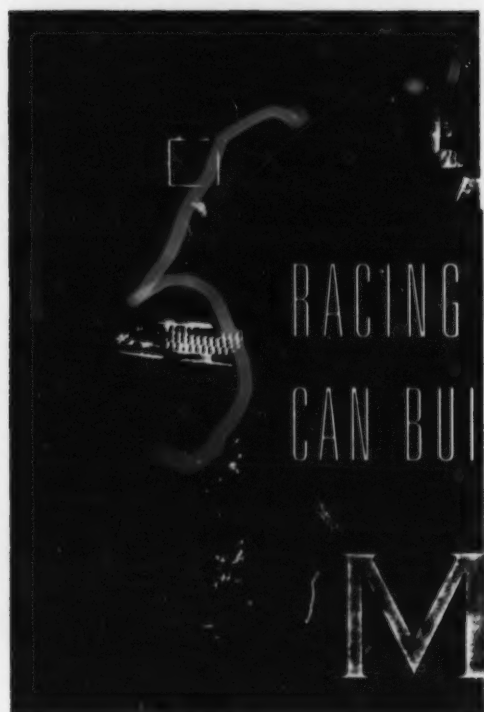
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